



**BRIT**

writing the future

**ClimateWise - submission 2024**

# writing the future, responsibly – Brit's ESG statement



At Brit/Ki, our mission is to write the future responsibly. We are committed to having a positive impact on the planet and society – both inside and outside of our organisation – actively **supporting our clients, stakeholders, investors and people through our ESG strategy and principles.**

Our ESG strategy and focus rests on these four pillars, ensuring the long-term sustainability of our business:

- Reducing our environmental footprint.
- Enabling transition.
- Responsible product deployment.
- An inclusive culture for our people.

Our ESG strategy is also aligned to our overall strategic focus and goals.

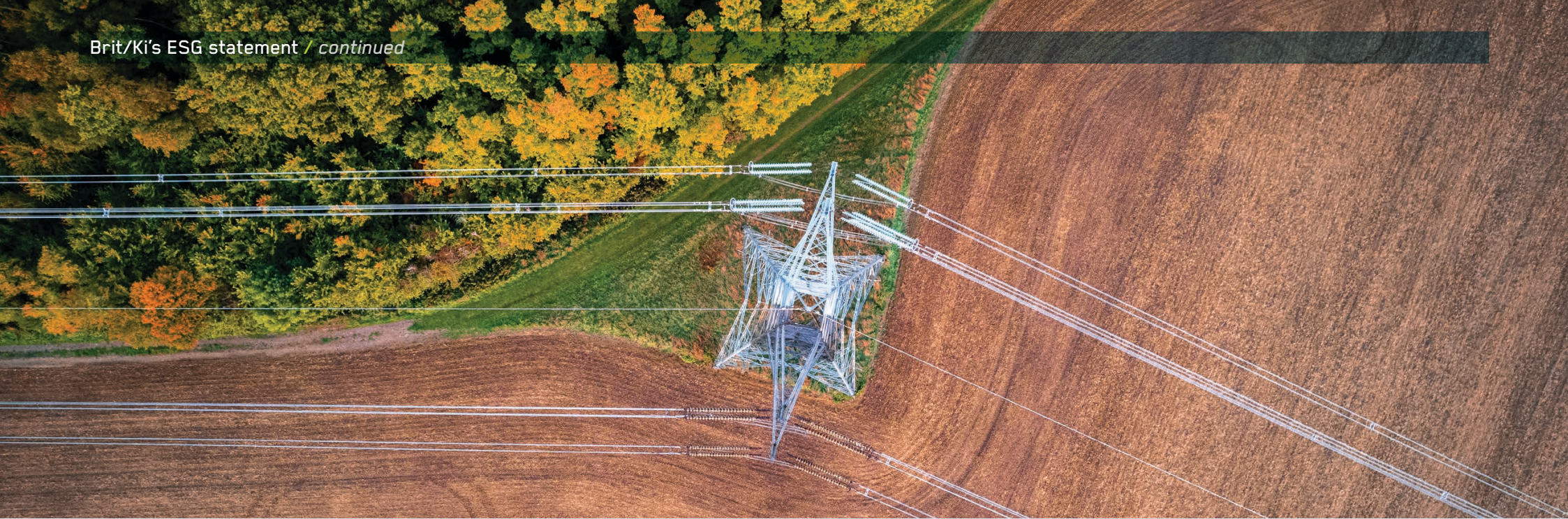
We are committed to being a responsible business and developing products to reflect that we are accessible, inclusive and sustainable.

Our ESG approach is focused on reducing any adverse impact on the planet, while mitigating risks from unsustainable external environmental, social and governance practices.

We aim to actively provide insurance for clean energies, while at the same time expecting our customers in carbon-intensive industries to have clear and measurable transition plans.

Throughout this, we'll always aim to be honest and transparent. We won't get everything right, nor will we achieve all our goals tomorrow, but our intention is go above and beyond – measuring ourselves against our pillars regularly, while striving to go further than industry-set targets.





Our ESG Strategy is made up of 4 pillars:

- 1 Reducing our environmental footprint:** We address climate change by controlling and reducing our carbon emissions through our operations and procurement teams.
- 2 Enabling the net zero transition:** We support our clients in their climate transition. We also make a positive impact on society and the planet through our underwriting and investment decisions.
- 3 Responsible product deployment:** We understand how our products can have a positive impact on society and the planet, and we are responsible in how we go to market and conduct our business.
- 4 An inclusive culture for our people:** We deliver our vision through our people, with strong focus on leading the industry to an equitable, inclusive and diverse culture.

We are committed to responsible business practices. Our ESG Committee, composed of individuals from across the business, oversees our approach, and reports directly to our Executive Committee.

We recognise that we're most effective by acting alongside others in our industry, which is why we're active members of ClimateWise, and take part in ESG initiatives within the Lloyd's market and the Fairfax group.



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# introduction



## **Brit is a leading global specialty insurer and reinsurer focused on underwriting complex risks.**

We have a long and successful track record of leading an extensive range of insurance and reinsurance programmes, based on rigorous risk selection and a disciplined approach to underwriting. We hire the best people and develop their skills so they can grow with us as a business. Combining technical expertise with industry knowledge, we listen, we share and we collaborate – to create best-in-class insurance solutions for our clients.

We are one of the largest businesses that trades primarily on the Lloyd's of London platform – the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks, underpinned by our strong underwriting and claims expertise.

Our capabilities and ambition are underpinned by our strong financial position. Our business is underwritten primarily through our wholly-aligned Lloyd's Syndicate 2987, our innovative Ki Syndicate 1618, and the partly-aligned Lloyd's Syndicate 2988, which benefit from Lloyd's ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and A+ (Strong) from Standard & Poor's.

Fairfax owns 86.2% of Brit Limited while the remaining 13.8% is owned by OMERS Administration Corporation (OMERS), the defined benefit pension plan for municipal sector employees in the Province of Ontario, Canada. Fairfax now has the option to purchase OMERS' interest in Brit at certain dates after October 2023. We believe that Fairfax is an excellent parent for Brit, enabling us to enhance our global product offering.

From 31 December 2022, we had capital resources equal to 154.5% of the management capital requirement needed to support our business (now reported on an IRFS17 basis) and Fairfax has supported our continued capital strength allowing us to take advantage of business opportunities as they arise. Our capital strength provides the flexibility to allow us to cope with major losses while not deviating from our commitment to fund profitable expansion and to provide attractive returns.

With one of the largest and most diverse portfolios, we underwrite primarily through our Syndicates 2987, 2988 and Ki 1618. We have a long and successful track record of leading an extensive range of insurance and reinsurance programmes, based on rigorous risk selection and a disciplined approach to underwriting.



# 1 steering transition



Accountability flows through every part of Brit when it comes to climate change, its potential risks, and opportunities.

# 1.1

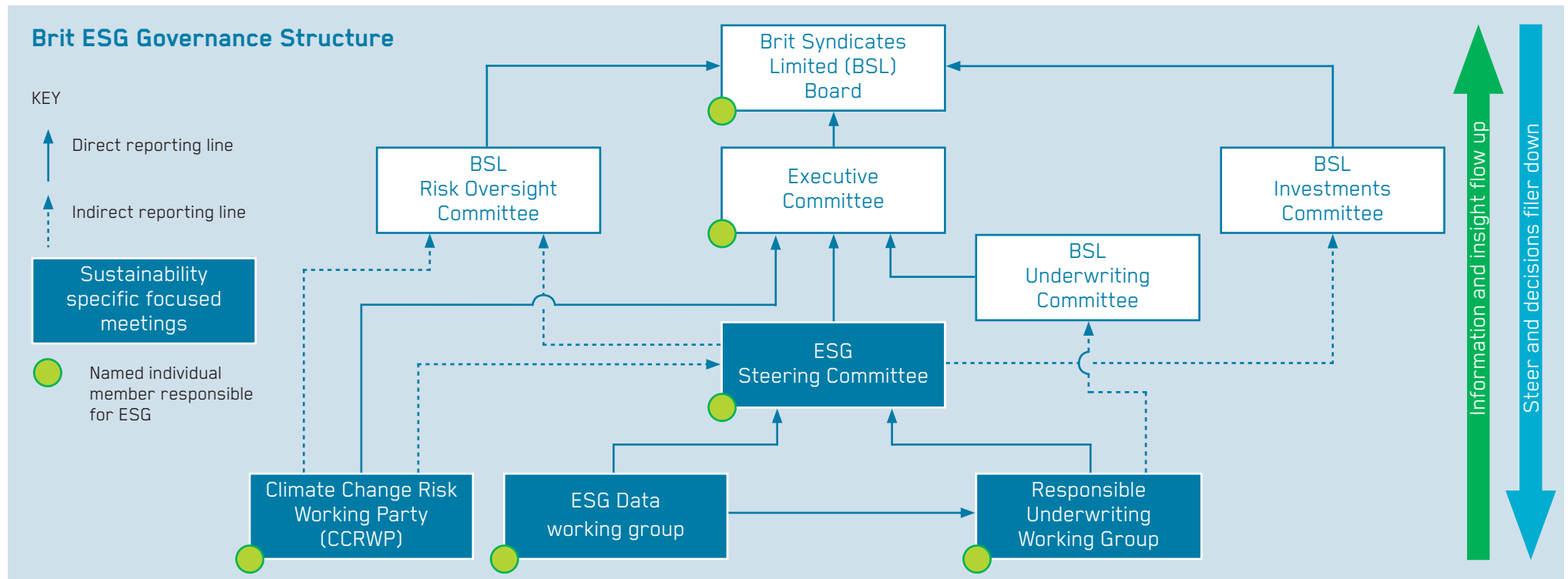


## Ensure that our board has oversight of climate- and nature-related risk and opportunity management, including any transition plans.

Accountability flows through every part of Brit when it comes to climate change, the risks it poses, and the opportunities it presents. The board of each operating unit has ultimate accountability for climate change. This includes:

- The strategy we take towards climate-related change.
- The oversight of how Brit incorporates climate-related risks into its models, business planning and pricing.
- How the organisation will respond to the opportunities offered by climate change.

It's the board's role to make sure climate-related risks and opportunities are integrated into our business strategy and the risk management framework. Each board achieves this accountability by delegating responsibility to other committees, ensuring information and decisions flow between levels. This can be seen in the diagram below.





In May 2021 for syndicate 2987 (and 2988), the Brit Syndicates Limited Board set ESG as a priority that would be embedded within the business and articulated externally.

- Climate and ESG at large continue to sit within Brit Syndicates Limited.
- ESG is a recurring agenda item on a quarterly basis, with a verbal or written update provided to the BSL board by the ESG steering committee.
- The BSL board also discusses topics pertaining to climate and ESG as required.
- A named board member has responsibility for ESG.
- The BSL board terms of reference (ToRs) clarify the board's role in developing strategy and their obligation to consider various stakeholders - which in combination covers ESG.
- All board directors are also under a legal requirement to comply with Section 172 of the Companies Act, requiring them to act in the interests of the company while having regard to other matters (including the environment and the community) and other stakeholder (including employees etc). The ToRs reiterate the need for the board and its directors to comply with section 172.

ESG has been a priority since 2021, that has been embedded within the business





During 2023 we defined and rolled out Brit's updated ESG strategy, providing a number of board updates on progress and education, in addition to climate change updates.

- **BSL board** received an update on the new ESG strategy and ratified it, including agreement to the high-level plan for delivery of the ESG strategy.
- **BSL board** received training in ESG aspects, including climate change, The Paris Agreement, emissions reporting, and the Brit approach to ESG. The **BSL board** reviewed the CBES results prior to submission and approved the Property Catastrophe strategy (see principle 1.6) as well as annual business plans.
- **BSL Investment Committee:** ESG/Climate risk has been a standing agenda item since 2021. We consider climate risk metrics monthly, which are considered in strategic decisions as relevant.
- **The BSL Risk Oversight Committee ("ROC")** oversees climate-related risk. It reports to the BSL board, with membership including three Non-Executive Directors of the Board, including the Chair. It receives an annual update on climate change-related financial risks. Where a tolerance is deemed necessary to manage risk, for example with a natural catastrophe risk or maximum concentration to a particular asset type, this is recommended to the **BSL board** for final approval.



Climate change has been recognised as an emerging risk in Brit's ORSAs (Own Risk and Solvency Assessment) since 2014 and has been an area of focus since it was identified as a high priority in the 2018 emerging risks analysis. In Brit's 2023 'Emerging Risk' exercise, we included Biodiversity litigation risk for the first time. This is being monitored as a developing area by our in-house counsel team.

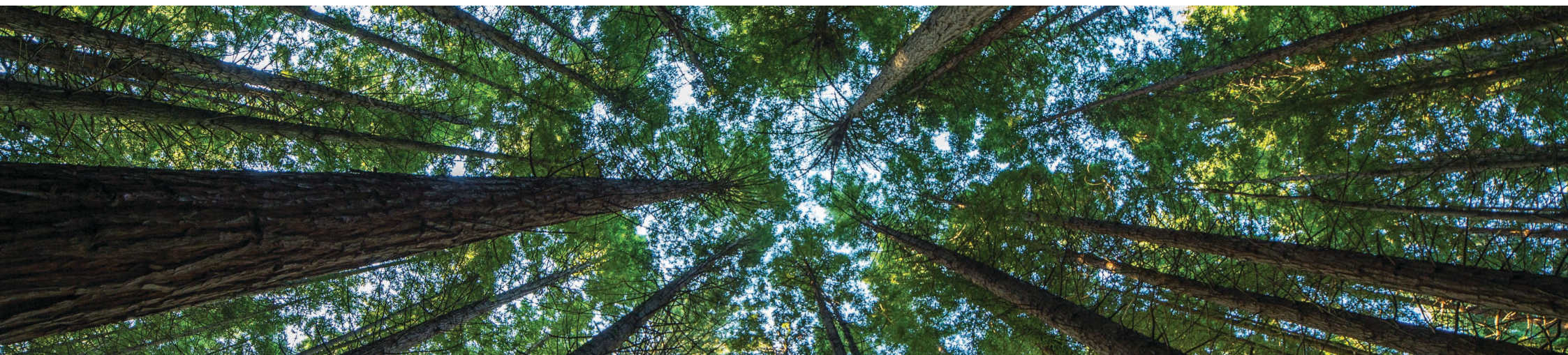
From this point, the BSL board has focused on developing its understanding of the uncertainty associated with climate change and climate-related risks and opportunities. To support this, both the ORSA and emerging risks analysis are presented annually to the Brit Syndicates Limited (BSL) Risk Oversight Committees (ROCs), sub-committees of the respective boards.

Climate change's potential impact on the insurance industry is an ongoing area of focus for our boards, the wider insurance market and regulators. Brit's Risk function monitors risks associated with climate change on an ongoing basis, with any material developments being escalated to the appropriate board.

Brit plans in 2024 to embed the ESG strategy that was developed in 2023, with a focus on:

- Further developing data sources and analytics capability for emissions accounting, making sure we're ready to meet regulatory reporting standards (ISSB S1 & S2).
- Developing an ESG approach in Underwriting and Investments, continuing to improve our understanding and integration of the risks and opportunities that arise from sustainability related change.

During 2024, we will also define plans for the development of a transition plan. We recognise that insurance plays a critical role in the transition, and we want to make sure that when we are ready to define a transition plan, we do so using a data-led approach, meaning our plan is measurable and achievable.





## 1.2

**Ensure that our senior management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.**



Below the board and its committees, there are a number of management committees and individuals who have responsibility and accountability for ESG related aspects:

- **Executive Committee (EC):** The EC is Brit’s key management committee and is extensively involved in key strategic decisions involving climate change. For example, following the recent uptick in natural catastrophe losses in recent years, a Property Catastrophe strategy was developed to reduce gross exposures, reduce the volatility of annual results (which climate change may have contributed to) and optimise reinsurance.
- **BSL Underwriting Committee:** receive MI on natural catastrophe risk including regions and perils more prone to climate change. They are responsible for making decisions around managing this risk in line with business appetite. This includes a review of the Brit View of Risk (“BVoR”).
- **ESG Steering Committee:** The ESG Steering Committee is the management body responsible for ensuring that Brit Group delivers on its ESG strategy while ensuring that sustainability priorities are integrated with business priorities across all functional areas of the Group.

**Brit’s Executive Committee is extensively involved in key climate change related decisions**



Since November 2022, Lorraine Denny – Chief Engagement Officer – has been the Executive Committee member responsible for ESG at Brit. She participates in ESG committee meetings and represents the ESG agenda at the Executive Committee (EC). The EC convenes on a monthly basis and ESG agenda topics are tabled and discussed further when pertinent, including climate and nature-related risks and opportunities. During 2023 there were two formal ESG updates to the EC, and from the end of 2023, ESG is part of the quarterly update from the Chief Engagement Officer.

The EC, as a whole, have responsibility for recommending the ESG strategy to the Board, and they delegate the oversight of the delivery of the roadmap to the ESG Steering Committee, with ownership responsibility sitting with the Head of ESG. During 2024, Brit plans to define plans for the development of a transition plan, which Brit aims to develop in 2025, and once it is developed, EC member sponsorship will be defined and agreed. Ownership for the delivery of the transition plan will sit with the Head of ESG.

A range of governance changes in response to ESG regulation requirements have been implemented by Brit, including:

- Establishment of ESG Steering Committee supported by two working groups.
- Recruitment of a Head of ESG (from Jan 2024).
- Climate Change Risk Working Party.
- Inclusion & Diversity (I&D) Council.



## ESG Steering Committee

Brit has a cross-company ESG committee with senior employees from Brit, Ki and Sussex representing Underwriting, Investments, Finance, Risk, Operations, Facilities and Communications functions as well as a mix of senior management and more junior staff across the organisation. In 2023 the committee included:

- Group Director of Legal and Compliance
- Group Executive Underwriter
- Managing Director, Specialty
- Managing Director, Facilities
- Chief Investment Officer
- Chief Data Officer
- Chief Marketing Officer
- Head of Process Management
- Head of Commercial Management & Outsourcing
- Head of ERM and Analytics
- Head of Underwriting Performance
- Head of Business Development Asia ILS and Capital
- Head of Inclusion and Diversity
- Group Investment Manager
- Group Director of Legal and Compliance
- In-house counsel Head of Claims and Underwriting
- Group Distribution Associate
- Finance and Operations Director (Brit/Sussex)
- Senior Manager ERM
- Senior Manager Group Reporting
- Senior Strategy Manager
- Senior Tax Manager
- Strategy Manager



- Claims Reporting Analyst
- Underwriter
- Underwriting Performance Analyst
- Subject Matter Experts Brit and Ki

The committee handled all climate and ESG issues, ranging from strategy development and target setting to responding to supplier audits. The committee is defined by a set terms of reference and meets monthly with an agenda. Detailed minutes are created for approval prior to sharing those with the Executive Committee.



Sitting below the ESG steering committee are two working groups:

- Responsible Underwriting Working Group (“RUWWG”) – a sub-committee of the ESG SC, with specific focus on underwriting activities in the context of ESG. The group’s objective is to develop Brit’s approach and framework to Responsible Underwriting, and to include ESG considerations in day-to-day underwriting decisions, as appropriate for each individual syndicate. The 2024 plan specifies that this group will be instrumental in the development of climate and nature-related underwriting guidelines to make sure Brit makes positive steps in its ambition to Write the Future, responsibly.
- ESG Data Working Group – The ESG Data working group is a sub-committee of the ESG Steering Committee, with specific focus on developing and analysing data, metrics and reporting in the context of ESG. The group’s objective is to allow consistent and insightful analytics of ESG-specific performance, and to communicate that analysis and insight to facilitate positive change in the organisation.

Both these working groups meet fortnightly – they then issue minutes and actions straight after.



## Climate Change Risk Working Party

Identifying and managing financial risks arising from climate and nature change – impacting the three syndicates – has been allocated to the BSL Chief Risk Officer (CRO) and is recorded on Brit’s Management Responsibilities Map. As part of the Senior Management Function (SMF) role, the BSL CRO is responsible for ensuring appropriate action across the firm and Committee Structures. An example of how this has been done is through establishing the Climate Change Risk Working Party (CCRWP) and having climate change risk as an annual agenda item at the ROC.

The Climate Change Risk Working Party was established in response to PRA regulatory requirements under SS3/19 to identify and manage the financial risks from climate change and integrate this process into the existing risk management framework.

The multidisciplinary Climate Change Risk Working Party (“CCRWP”) is responsible for managing the financial risks arising from climate change. It selects and monitors key metrics across the material risk types impacted by climate change (principally natural catastrophe, liability and investment risk). It reports to the BSL Risk Oversight Committee (“ROC”). It provides a forum for identifying and escalating any material risks that require further investigation. The Working Party meets at least twice a year.

Brit was compliant with the core requirements of SS3/19 at the end of 2022 in line with the deadline set by the PRA. Risk management related to climate change is however an ongoing process with scope for continued refinements.

Consideration of climate change is included within various policies. In particular:

- The Risk Management Framework explicitly requires consideration of climate change in measuring and managing risks, including (but not limited to) natural catastrophe, underwriting, reserve and investment related risks.
- Exposure Management Policy – specifically notes climate change as a key risk, requires regular review of its impact, and requires allowance to be made within exposure management processes e.g. via the Brit View of Risk adjustments
- Investment Policy – explicit responsible investment requirements, including Environmental, Social and Governance considerations
- Inclusion of climate change in committee terms of reference, including those of the BSL Risk Oversight Committee (a subcommittee of the Board).

Consideration of climate change is included within various policies at Brit



## Ki

Ki, the first fully digital, algorithmically driven syndicate, continues to be aligned with Brit on ESG. At the Ki Executive Management Committee, Ki directors meet monthly, where Ki-related ESG matters are discussed.

## Internal Audit

We carried out an Internal Audit Review in H2 2022 to provide independent assurance over the appropriateness of Brit's ESG governance framework, in line with its own ESG strategy and regulatory expectations as set out by the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's ESG statements. All recommendations from this internal audit review were actioned and closed during 2023. (See Principle 1.2 - ESG IA Actions - October 2023 closure request). A further Internal Audit review is planned for H2 2024.

The audit covered the following areas:

- a) Governance and Oversight (including roles and responsibilities)
- b) Strategy and Integration
- c) Metrics and Targets
- d) Compliance Disclosure

## ESG Strategy

In late 2022, recognising the need for further focus on all ESG aspects - including climate and nature-related risk and opportunities - the EC tasked the ESG steering committee to engage a specialist consultancy to consider ESG-related activities, deliverables, targets and corresponding resource requirements. This support was ongoing through the whole year.

We worked with an external consultancy in January 2023 to help update and articulate the ESG strategy, measuring Brit's progress relative to peers and identifying the pillars we want to hold ourselves to. The development of the ESG strategy and associated programme over the course of 2023 let us set out our short, medium and long term goals in this regard. The strategy, including the pillars and roadmap, were discussed and signed off by both the EC and the board.



## 1.3



## Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.

The following table outlines the relevant policies and procedures relating to climate and biodiversity/nature risk in the various areas of Brit. Much of this is discussed in further detail in other sections of this report.

Area	Relevant policies and/or procedures
Role and responsibilities (as outlined in section 1.1 and 1.2)	Terms of Reference for all Board and management committees - see sections 1.1 and 1.2
Risk Management	The Risk Management Framework - see section 1.8
Underwriting	BSL Underwriting Policy (board-level policy) Underwriting Guidelines (management-level) Class Appetites (class level)
Investments	BSL Investment Policy - see sections 3.1 and 3.2
Supply Chain	Procurement Policy - see section 2.4
HR / Culture	Employee Code of Conduct





## 1.4

### **Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.**

In 2023 we chose a board member to take responsibility for ESG, who began to provide the board with quarterly ESG updates. This was to make sure they are always aware of the work being done, and also to make sure they understand the ESG landscape.



These updates focused primarily on the ESG strategy activity, but in future there are plans to run education sessions provided by internal and external SMEs. The ROC, a subcommittee of the Board, also receive other updates with climate-related topics, such as annual updates on climate change risk, and CBES updates.

We are considering linking executive remuneration to ESG metrics and progress in the medium term.

During 2023 the whole company, including the EC and the leadership group (consisting of the senior managers from across the company) received dedicated training, from the two co-leads of the ESG steering committee.

The training covered a range of topics including the SDGs, the Paris commitments, emissions and climate change, along with Brit's ESG strategy, pillars and external ESG statement. 87% of employees completed the training.

Also, the ESG steering committee members completed three online training modules which focused on the SDGs and climate change specifically. There was strong engagement from all areas of the business, which we've continued in 2024, developing knowledge and a desire to support change in line with the transition plan, when it is created and rolled out.

Please see section 1.1 for more detail on CBES and annual updates on climate change.

## 1.5

### **Describe the impacts and implications of climate and nature-related risks and opportunities on our business model and performance, strategy, and any decision-making processes.**

We consider natural catastrophe risk, liability risk and investment risks to be the most crucial climate-related risks. Using Board tolerances and management metrics, exposure to these risk types is managed and monitored continuously. We created a climate change risk register in 2023 to capture the potential impacts of these risks and how they are being managed (more detail is in section 1.7). This was presented to the CCRWP.

We're very conscious of the risk of nature-related change. In 2023 Brit identified the risk of biodiversity litigation in the emerging risk activity, and we continue to be vigilant as new risks appear. Our 'In-House Counsel - Head of Claims and Underwriting' is a founding member of the LMA's Environment and Climate Litigation Committee which allows Brit to keep up to date with the changing litigation landscape.

### **Climate scenario analysis**

Climate scenario analysis is key to understanding the potential impact of climate-related risks on Brit. Further details on the analysis are in section 1.10.

Based on Brit's risk identification exercise, natural catastrophe risk is the area where climate change will have the biggest impact. Climate change is already influencing catastrophe risk, which is expected to increase over time. As such, developing tools to quantify this has been a key area of focus, as described below.

These tools allow us to significantly enhance our scenario analysis, especially our multi-year scenario analysis incorporating future climate states. This feeds into our ORSA and IM Validation scenario analysis, as described below.

**We consider natural catastrophe risk, liability risk and investment risks to be the most crucial climate-related risks**



## Natural catastrophe risk

Brit's Risk Aggregation team has a dedicated natural catastrophe research sub-team to monitor developments in climate science and incorporate findings into Brit's analysis as appropriate.

We have invested in capabilities to quantify the impact of climate change on key peril-regions. This includes using relevant historic and current climate data (e.g. HadSST4 and ERA5), and an internally developed model for predicting Atlantic basin hurricane activity for a given climate state. This is leveraged to derive a present-day view of risk adjustment to the 3rd party vendor model (Verisk) used by Brit, as well as for generating seasonal forecasts. This model includes adjustments to the intensity and regionality of modelled storms.

The team is responsible for updating the Brit View of Risk ("BVoR"). BVoR is a specific in-house natural catastrophe load used by Brit to overlay its view of risk over vendor models, with adjustment made to reflect expectations – for example, increasing the US hurricane frequency or incorporating a load for perils where vendor models are not licensed (e.g. due to Brit considering these models to still be in their infancy).

We also engage with Lambda Climate Research who provide tools to translate CMIP6 climate models, showing the potential impacts on tropical cyclone-modelled losses for a range of time frames and representative concentration pathways. This provides a forward-looking assessment of the potential impacts of climate change, which we've used for the North Atlantic and the North West Pacific basins.

In addition to deriving the present-day view of risk for hurricanes, the above tools were used to develop the following insights that were shared with the CCRWP and senior underwriters:

- 2023 Hurricane Outlooks in Summer 2023.
- Possible range of outcomes in 2030 for North Atlantic hurricanes and Japan typhoons.
- Prospective solutions to better modelling flood risk.
- The potential impact of climate change on Severe Convective Storms.
- The phenomena observed in 2023 following Hurricane season.

This information is used to inform underwriting strategy and decisions on individual risks. As set out in Section 1.6, our understanding of the impact of climate change was a key driver of the adoption of an updated Catastrophe Strategy in 2022, which included reductions in exposure in areas where climate change is driving catastrophic losses (and this is expected to worsen going forward based on the analysis noted above).

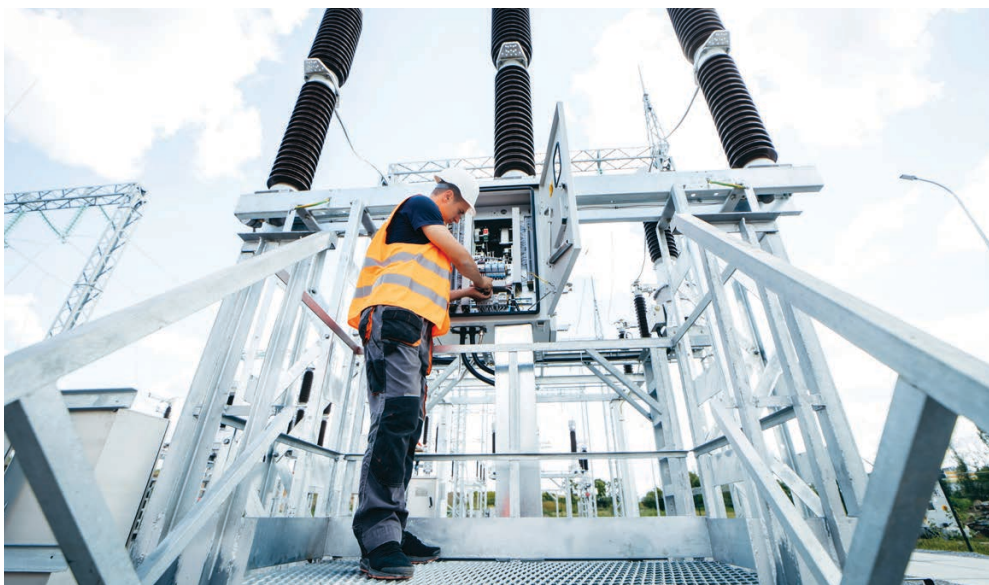
Further information is available in principle 3.3

## Other risks

Scenario analysis performed previously has also fed into other ongoing business initiatives:

- Investment exposure in “high risk” industries – i.e. those with a greater exposure to climate or transition risk, such as those in the energy industry – is monitored and reported on a quarterly basis to the BSL Investment Committee. The reporting includes commentary on any new investments in these segments and why Brit remains comfortable with the decision. The high-risk categorisation is based on analysis performed as part of CBES.

Climate change exclusions have been introduced within most of the Specialty book to clarify Brit’s stance. Underwriters who deal with potential climate-related litigation losses consider this risk as part of their due diligence.



In addition to the risks that Brit faces with climate change, we recognise that the changing world will drive new and unique opportunities. As we considered the integration of climate risks and opportunities within our business, from 2021 we started providing insurance for renewable energy risks and have continued to grow this segment as a proportion of the total energy portfolio, supporting our clients’ transition to cleaner forms of energy – specifically providing cover for construction of renewable projects, as well as their operational aspects:

- 2021 actual share of total Energy GNWP: 2.6%;
- 2024 plan of total Energy GNWP: 18.3%;
- This proportion is expected to increase to c.20% during 2025

During 2024 we have planned to perform a market scan to support an internal white paper which looks at the opportunities that new ESG or sustainability products could bring to our underwriting function. To do this, we plan to engage with brokers and other market participants to understand the scope and scale of products, and the business cases for them. This white paper will facilitate the integration of climate-related considerations into our business strategy and decision-making.



## 1.6

## Describe how environmental resilience plans are incorporated into business decision-making, including disclosure of any material outcomes of climate risk scenarios.

As set out in section 1.5, Brit carries out extensive scenario analysis for climate-related risks. This section sets out how these inform business decision-making.

**Physical risk:** The property catastrophe underwriting strategy has been a focus area since 2017. Natural catastrophe activity has increased in recent years, which potentially reflects the impact of climate change. Before 2022, underwriting actions included:

- Reducing peak zone exposures
- Reducing wildfire exposures
- Non-renewing catastrophe intensive accounts
- A continuous push for rate increases.

An additional review of the strategy was conducted in 2022, as the trend in increased losses continued with Hurricane Ian. The resulting actions included:

- Reductions in gross exposures across Binders, Open Market and Treaty with a focus on exiting higher risk and less profitable business.
- Withdrawal from classes with poor loss experience.
- Reduced reliance on cat reinsurance which is increasingly expensive given recent losses and the consequent hardening market.

Targets have been set on a gross and net basis; these are expected to be achieved in 2024 but progress is being tracked quarterly and reported to the Underwriting Committee, EC and BSL Board.

**Transition risk (underwriting portfolio):** Across our Specialty Portfolio, we have been identifying opportunities to provide insurance cover for climate-transitioning business, e.g. renewable energy sector (solar and wind). These are considered to be a growth sector for the business, with technical expertise being recruited to facilitate growth.

We have also made a commitment that states “We expect our customers in carbon intensive industries, to have clear and measurable transition plans.” Our underwriters review transition plans when pricing and quoting their risks.

**Transition risk (investment portfolio):** ESG considerations are included in investment guidelines, external manager mandates and reporting. The guidelines include an objective to gradually increase the ESG standing of the portfolio over time.

Sustainability is key to our long-term investment approach. Our investment approach considers potential opportunities as well as losses that could arise from ESG factors. This allows investments in companies that may currently be lagging from an ESG perspective, but only if we can see they're improving, as such companies may ultimately be the best stewards of assets from this perspective.

**Litigation risk:** Based on external counsel review and in-house scenario analysis (see section 1.10), whilst some losses could arise, they're expected to be contained. We continue to monitor trends but haven't made changes to business plans.

Climate change exclusions have been introduced within most of the Specialty book to clarify Brit's stance. Underwriters who deal with potential climate-related litigation losses consider this risk as part of their due diligence.

**Overall:** Findings from physical, transition and litigation risk are shared with the CCRWP and ROCs. They're also documented within the individual entity ORSAs to ensure key stakeholders are aware of the risks during business planning.

**Reputational risk:** The development of our ESG strategy in 2023 has provided us with a framework for better decisions around ESG and sustainability. Going forward, the ESG strategy, and any associated underwriting guidelines, will contribute to the annual planning process on a class by class basis.

In addition, the strategy will help guide our direction when engaging with our supply chain, both from an operations and procurement perspective, and also when working with our stakeholders and partners.





# 1.7



## Describe the outcomes of our materiality analysis and any material climate and nature-related risks and opportunities that affect our prospects.

In early 2023, Brit carried out a double materiality survey with support from an external consultancy. The activity helped us prioritise various environmental, social, and governance (ESG) topics by identifying which issues matter most to both Brit and society – according to both internal and external stakeholders.

From a long list of ESG topics, priority themes were identified via internal and external stakeholder interviews, as well as a company-wide survey. Our staff survey found that Brit and Ki employees are highly engaged with our ESG and sustainability work. 51% responded to our survey, representing all departments within the business. We complemented this survey by interviewing 17 internal subject matter experts. As part of our external stakeholder engagement, we spoke to a range of stakeholders, including those from our Lloyd’s network, our charity partners, investors, and sustainability experts, to understand their perspectives on our most important ESG topics.

We then assessed inward and outward materiality, considering both the Brit and Ki activities on their factors (sometimes described as outward or impact materiality), and the impact on Brit and Ki’s business activities (something described as inward or financial materiality).

The analysis revealed that the three main areas of materiality were:

- 1 Environmental sustainability.
- 2 Sustainable financial performance.
- 3 Ethical business.

### The Brit materiality matrix



The outcome of the double materiality activity informed the development of our ESG strategy and the four pillars it is built upon. This in turn drives the direction we take in dealing with the specific challenges and opportunities that climate change and other sustainability factors bring.

Brit created a climate change risk register in 2023 to capture all risk types that could be affected by climate change. The risk register contains risk descriptions and controls to manage the risk. Based on these, a High, Medium or Low risk score is assigned to assess the likelihood of it occurring. The initial assessment is made by the Enterprise Risk Management team based on their understanding of the risk, scenario analysis (section 1.10) and externally available resources. The risk register is then shared with the CCRWP for review and comment. The risk register will be subject to annual review to make sure it stays up to date with the emerging risk environment.



The three main areas of risk identified for Brit are natural catastrophes, liability claims and investment losses:

- **Natural catastrophe risk (short term)** relating to climate change: the risk of increased frequency and severity of weather-related natural catastrophes – for example, hurricanes and wildfires.
  - In Brit’s view, climate change is already increasing this risk, which will worsen over time.
  - As a general insurance business, this risk is considered the most material.
  - It’s most pronounced in the US, which is where the majority of our business is underwritten.
  - As noted in Section 1.6, we’ve optimised the gross portfolio because of these uncertainties.
  - This could result in additional claims and could impact Brit in the short to medium-term.
  - We continuously monitor scientific studies, regularly review the completeness of existing models and the application of the Brit View of Risk (“BVoR”).
  - Brit’s exposure to natural catastrophe risks is monitored on an ongoing basis by the Risk Management Function.
  - Board limits are in place to ensure Brit isn’t over exposed to natural catastrophe risk.

- Climate change and biodiversity loss could result in additional **liability** claims from increasing climate and/or nature litigation against Brit’s clients, in the **medium to long term**.
  - The claims arise from:
    - Firms contributing to climate change and/or biodiversity loss.
    - Failing to transition to renewables.
    - Greenwashing or directors breaching their fiduciary duties.
  - The nature of these claims could impact Brit in the medium to long-term.
  - We account for this exposure with limits on gross underwriting exposure and through buying reinsurance.
  - While such claims have not generally been successful to date, there remains an ongoing risk.
- **Investment losses (medium to long term)** have the potential to arise from exposure to industries perceived to be contributing to climate change or from the transition to a low-carbon economy.
  - This transition risk could adversely impact Brit quickly as financial market valuations fluctuate, but is more likely to manifest over the medium to long term as the transition gathers pace.
  - Brit has a well-diversified investment portfolio, with the majority of assets being cash, government bonds and investment grade corporate bonds. This significantly mitigates the risk of investment losses.
  - Brit’s monthly investment reports include details on its exposure to climate sensitive sectors.





# 1.8



## Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks and opportunities.

Brit's Risk Management Framework (RMF) applies a consistent methodology and structure to how risks are identified, measured, managed and monitored. This process protects policyholders and maximises shareholder value by ensuring the risk and capital implications of business strategy are well understood.

The RMF has the following key elements:



Element	Element Description	Responsibility	Oversight
Identification	Risk events, risks and relevant controls are identified and classified. This is a continuous process which considers any emerging and existing risks. The risk register sets out the significant risks faced by the business and identifies the potential impact and likelihood of each risk.	Chief Risk Officer, supported by the Risk function	ROC / Board
Measurement	Risks are assessed and quantified, and controls are evaluated. This is done through a combination of stochastic modelling techniques, stress and scenario analysis, reverse stress testing and qualitative assessment using relevant internal and external data.	Chief Risk Officer, supported by the Risk function	ROC / Board
Management	The information resulting from risk identification and measurement is used to improve how the business is managed.	Senior management, with guidance from CRO and Risk function	ROC / Board

The Risk Management Framework is applicable to all risks Brit faces, and has therefore been applied to climate change. As discussed below, biodiversity and nature was also identified as an emerging risk in 2023, therefore the RMF applies to this risk as well.

The main areas of risks identified are noted in principle 1.7 and the risk metrics used for measurement are detailed in principle 1.9. The risk register referenced in principle 1.5 contains details on how climate risk is considered across different risk categories.

The application of the RMF is dependent on data quality and availability. In particular:

- For some risks, such as extreme catastrophe events, there is limited historical data and in any case climate change may affect the frequency and severity of such events. This is mitigated via modelling (both modelling of climate change itself, where Brit relies on external sources) and modelling of potential weather events. However, it must be acknowledged that there is uncertainty over the impact of climate change on Brit's risk profile.
- ESG data for the risks Brit underwrites, which would identify potential risks (e.g. transition risk) is currently under development.

**Emerging risks:** Brit has an established emerging risks framework. Emerging risks are continuously assessed across all risk categories. Where material and relevant, risks are highlighted to management committees and the BSL ROC via the CRO reports.

Climate change is considered to be an emerging risk, as the risk is changing over time (both due to increasing temperatures and changes in human responses which contributes to transition risk). This means that the risks associated with climate change are assessed on an ongoing basis, with a particular focus on changes in:

- Scientific assessments of physical risk, e.g. the impact of climate change on natural catastrophes
- Changing human responses, e.g. in respect of the transition and litigation risk

The Risk Management Framework is applicable to all risks Brit faces, and has therefore been applied to climate change

Biodiversity/nature, and associated litigation, was noted as an emerging risk in 2023. Our approach to managing this risk will be reviewed on an ongoing basis, including engagement between the Risk, Legal and Underwriting functions. We expect that biodiversity will be an increasing focus of Brit's ESG strategy going forwards.

A formal review of emerging risks is carried out on an annual basis with key findings reported to the Executive Committee and the BSL ROC. Further analysis on specific risks may be conducted following the annual review to qualitatively and/or quantitatively assess the impact of these risks to Brit. The results are then communicated to the BSL ROC.

The measurement and management of risk allows for emerging risks. For example, the impact of climate change is considered when measuring and managing risks including (but not limited to) natural catastrophe, non-catastrophe underwriting, reserve and investment risks. A multi-disciplinary working group (the CCRWP) has been formed to better manage and monitor climate change given it is an emerging risk.

The main areas of risks identified are noted in principle 1.7. The risk register referenced in principle 1.5 contains details on how climate risk is considered across different risk categories.

The annual ORSA which is presented to the ROCs also includes a summary of climate change-related risks and risk management activities during the year.





## 1.9



### Put in place mechanisms to monitor and manage climate and nature-related risks and opportunities.

A key part of risk management at Brit is setting risk tolerances and risk appetite. Risk tolerances are set by the Board and represent the maximum amount of risk Brit is willing to accept to meet its strategic objectives. Risk appetite is set by management and reflects the maximum amount of risk that Brit wishes to take in the current market environment. The actual amount of risk taken is monitored against these tolerances and appetites on an ongoing basis.

The RMF, including the risk tolerances and appetite, reflects Brit's strategy and seeks to ensure that risk is accepted in the areas which are expected to maximise shareholder value whilst continuing to protect policyholders against extreme events. The process applies to all underwriting entities (in particular the Lloyd's syndicates and Brit Re).

When assessing risk within our risk tolerances, we incorporate climate-related risks as set out below:

### Physical risk

Physical risk from natural catastrophes is controlled through Board tolerances and management appetites which are set annually and monitored quarterly.

The Board tolerances are defined as the maximum net aggregate loss from all perils that the BSL Board is willing to accept at a 1-in-5, 1-in-30 and 1-in-250 return period. Management then sets more granular peril-region appetites at the same three return periods in a way that the Net All Perils aggregate loss remains within Board appetites.



We continuously monitor scientific studies, regularly review the completeness of existing models and the application of the Brit view of risk. This considers historical natural catastrophe trends as well as future expectations. The Brit view of risk feeds into our Solvency II capital assessment. Brit's exposure to natural catastrophe risks is monitored on an ongoing basis by the Risk Management Function and validated annually as part of the Solvency II Internal Model validation process.

Natural Catastrophe risk is assessed using an external vendor model (AIR) for the most material and established perils. Using external vendor models is a market practice for most general insurance firms as they are built by scientists and specialists. Where there is uncertainty, reliable vendor models do not exist or to allow for present day view of climate, the modelling is supplemented using the Brit View of Risk. Scenario analysis performed to date has identified North American windstorms and wildfires as being the perils that could be most exposed to climate change. The natural catastrophe modelling is leveraged in pricing as well as outwards reinsurance purchasing decisions.

Further information on how this risk is monitored and managed is noted in principle 1.5.

Brit's exposure to natural catastrophe risks is monitored on an ongoing basis by the Risk Management Function

## Liability risk

Brit's exposure is limited through limits on gross underwriting exposure and through the purchase of reinsurance. Adherence to these limits is monitored quarterly.

Since 2020 further work to understand climate-related liability risks has been undertaken in three phases:

- **Phase 1 (Identification):** Underwriters across all divisions were asked to identify liability classes that could be exposed to losses under four scenarios: contribution to climate change, failure to adapt, failure to disclose / greenwashing and failure to comply.
- **Phase 2 (Targeted assessment based on PRA CBES scope):** Scenario analysis was performed based on the PRA's defined scope and took into account contract wordings. The scope of the analysis was limited to 7 PRA scenarios across Brit's top three industries and within four classes of business.
- **Phase 3 (Review of remaining classes):** Scenario analysis was also completed in 2022 on other class/industry combinations that could be impacted by climate change litigation risk. The scenario found that whilst there may be a link between the impact of climate change and the number of cases, this was not deemed material to the analysis which was focussed on the current balance sheet / underwriting portfolio. Potential losses from plausible scenarios would be negative for P&L but are not outsized relative to other risks (e.g. natural catastrophe).

The number of climate change-related claims notifications is monitored quarterly to identify any trends or material upticks.

Emerging litigation risk trends are also monitored by the Risk team and in-house counsel by attending seminars and papers produced by lawyers and the Sabin institute. In 2023 this identified biodiversity litigation and “anti-ESG” litigation as new areas to monitor.



## Investments

Brit has a diversified investment portfolio, with limits on exposure to individual issuers. Exposure to concentrated positions is monitored and reported quarterly to the Investment Committee and Board. Additionally, Brit has developed metrics to monitor investment exposure to potentially at-risk industries such as oil and gas or transport that are reported to the Investment Committee monthly.

In 2021 we began to receive ESG reports from some investment managers and began discussing enhanced ESG reporting with other managers. These reports concentrate on understanding the carbon intensity of the portfolio, along with wider ESG scores. They detail the portfolio exposure to carbon sensitive sectors, fossil fuels, reserves intensity and unconventional fossil fuels relative to the benchmark, as well as the top three contributors to emissions and the top and bottom issuers from an ESG perspective. We also discuss with our external investment managers any other climate risk and ESG analysis they can provide, such as the Paris alignment of the portfolio.

We review our equity positions from an ESG perspective, as part of our annual equity review process. An annual review of equity holdings includes a review of the ESG strategy of underlying companies within Brit’s equity portfolio. Holdings of industries such as oil and gas, transport and utilities, deemed to materially contribute to climate change are also monitored.

The speed at which different managers are engaging on this topic is varying, but overall, it is clear they understand the requirements of their clients so we are confident the available data will improve over time.



### Overall risk monitoring and management approach

Once identified as a key risk, market and internal developments are then monitored. The following processes are in place for managing climate-related risks:

- Quarterly monitoring of the metrics mentioned above by the BSL ROC and Investment Committee as relevant.
- Purchase of reinsurance to manage natural catastrophe and litigation risk.
- Sharing results from scenario analysis such as CBES, litigation risk or ORSA scenarios with relevant committees such as the Underwriting sub-committees and Board.
- The cross departmental CCRWP meets twice a year to discuss the framework, new findings and department initiatives.

### Climate Change consideration in the SCR

A climate change validation test has been performed annually since 2019. It considers whether the SCR appropriately allows for climate change-associated risks in line with current market practice. The test focuses on physical, investment and liability risks as these were identified as the most material risks to Brit. The overall conclusion is that the current approach is reasonable but should continue to be developed as market practice and scientific knowledge evolves.



## 1.10



## Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.

### PRA stress tests

Syndicate 2987 (Brit's largest syndicate) participated in the PRA Climate Change Biennial Exploratory Stress Test ("CBES") in 2021-22. The exercise was designed by the PRA to assess the impact of climate change on physical and asset risks over a 30-year time frame in the below three policy action scenarios. Key assumptions were also provided by the PRA:

- **Early action:** Global carbon dioxide emissions are reduced to net-zero by around 2050 and global warming (relative to pre-industrial levels) is successfully limited to 1.8°C by the end of the scenario, falling to around 1.5°C by the end of the century.
- **Late action:** Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels, but then remains around this level at the end of the century.
- **No action:** The absence of transition policies in this scenario leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C higher relative to pre-industrial levels by the end of the scenario.

It also required general insurance participants to consider the impact of seven PRA-designed hypothetical litigation risk scenarios on liability classes as well as articulations of Brit's current and future risk management actions.

We continue to place reliance on the key findings from CBES and other in-house analysis done to prioritise development of peril modelling as discussed in principle 1.5.

We continue to monitor emerging biodiversity and nature-related risks, carrying out scenario analysis if appropriate.

Scenario analysis is subject to limitations, in particular:

- The speed and scale of actions to reduce greenhouse gas emissions (a major determinant of transition risk) and court decisions (a key determinant of litigation risk) are inherently difficult to predict in scenarios.
- Some risks (e.g. extreme catastrophes) involve events which have not occurred in recorded history (and are therefore more difficult to model), as climate change may increase the likelihood of these events (e.g. a Category 5 hurricane impacting New York).

## Internal scenario analysis

Following the CBES exercise, Brit has carried out the following risk management initiatives:

- **Physical risk:** scenario analysis helped identify the region-perils where climate change could have a significant impact (principally hurricanes, wildfires and floods) and quantify the potential long-term impact on those perils. We used these to develop Brit's catastrophe strategy which includes our appetite to underwrite and how these exposures are managed. Furthermore, Brit's internal assessment of physical risk is being enhanced, for example for North Atlantic hurricanes (see principle 1.5) and development of the wildfire modelling.
- **Asset risk:** Industries and asset types that could be most impacted were identified through CBES. As a result, Brit's exposures to these are being monitored. ESG is explicitly considered for any new investment decisions, which helps control exposure to industries exposed to transition risk.
- **Litigation risk:** The PRA scenarios provided a foundation for more detailed analysis as described below. We've identified liability classes that may have exposure under various scenarios. Brit's Risk function continues to monitor litigation as well as engage with relevant Underwriters and Legal.

In addition to the above, Brit performs climate change related scenario analysis in each syndicate and Brit Re's ORSA. The 2023 scenario considered the impact of a repeat of the 2017 US natural catastrophe events and Typhoon Jebi uplifted to reflect the potential increase in severity due to climate change, as well as liability losses on Financial and Professional lines, and Casualty Treaty. Investment losses from climate sensitive industries were also considered.

Building on CBES, a more detailed climate change-related litigation risk scenario analysis was performed in 2022. This considered the potential gross and net impact of climate change-related litigation under three hypothetical scenarios:

- **Failure to consider climate change:** Insureds sued for not considering climate change, for example in strategic decisions (D&O) or advice given (Professional Indemnity).
- **Failure to appropriately disclose, and/or greenwashing:** Insureds found to be misleading investors or the public either by understating disclosures or misrepresenting products as environmentally friendly.
- **Directly contributing to climate change:** Insured sued for their contribution to climate change (e.g. carbon emissions).

Workshops held with in-house counsel and underwriters in 2023 confirmed that findings from the detailed litigation risk scenario analysis performed in 2022 could still be relied on.



## ORSA scenarios

We continue to perform climate change scenario analysis within our ORSA and IM SCR Validation exercises. The ORSA process means that the climate change-related risks are shared across the business with key stakeholders.

The 2023 ORSA assumptions were shared with our multidisciplinary Climate Change Risk Working Party ('CCRWP') for consideration ahead of the 2024 exercise. Following this, the following enhancements were suggested and subsequently implemented in 2024:

- The natural catastrophe losses were based on the forward-looking tropical cyclone tool mentioned above, as opposed to the previous approach of applying an expert judgement-based uplift to the 2017 catastrophe losses.
- Investment risk was split between corporate bonds and equities, with a larger stress used for 'higher risk' equities (i.e. those with a greater exposure to climate / transition risk, such as those in the energy industry). The high-risk categorisation is based on analysis performed as part of CBES.

Our scenarios at present consider natural catastrophe, investment and litigation risk. We have an ambition to consider the impact of underwriting transition risk but require better quality data. To support this and our wider ESG ambitions, we have engaged with Dun & Bradstreet to understand the environmental impact of our clients and have better industry segmentation.





## 2 engaging stakeholders



We work in close partnership with our suppliers to raise awareness around the sustainability challenge



## 2.1



### Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

At Brit, we work in close partnership with our suppliers to raise awareness around the sustainability challenge. Brit uses The Good Eating Company (TGEC) as its business dining and internal hospitality provider, who are committed to the principles of sustainable food procurement. Brit and TGEC recognise that it is important to the future wellbeing of the UK that farming communities are supported and are able to contribute to their supply chains. TGEC have run a number of education campaigns around waste and meat emissions. They are playing an important role providing more sustainable food options, including vegetarian and vegan days, and using only reusable or compostable packaging.

We also focus on promoting recycling over general waste, which resulted in a recycling rate of 79.2% in 2023. In 2024 the waste strategy for The Leadenhall Building (TLB) is changing, placing more emphasis on recycling, which we'll leverage.

In 2023 Brit also participated in a new delivery management system with TLB - CurbCargo. This system helps companies to identify emissions that are generated through deliveries to site, both in terms of CO<sub>2</sub>e, NO<sub>x</sub>, and PM<sub>5</sub> / PM<sub>2.5</sub>. During 2023, CurbCargo is designed to establish common suppliers and then consolidate

deliveries – therefore reducing emissions. 2024 will see the implementation of the collaboration modules, and subsequent push to reduce emissions.

Finally, we're committed to reducing our impact through Scope 1 & Scope 2 emissions from our property. All electricity supplied is REGO-backed renewable electricity and during 2023 we upgraded our Building Management System to reduce energy expenditure by optimising the heating and cooling of the space. Read more on our Scope 1 & 2 emissions in section 4.2.





## IT

We have reduced the IT equipment on desks, removed desk phones, and improved management of idle monitors. There's also been a full rollout of laptops to all Brit employees with Microsoft Teams, providing all employees with the software to engage with internal and external stakeholders worldwide.

In addition, in 2023 we undertook a major programme to redesign our data handling, which resulted in significant reductions in data storage and the associated emissions. Full details of this will be disclosed in our 2024 report, but initial analysis suggest that in the second half of 2023, we reduced emissions from cloud storage by at least 25%.

## Travel

The global Brit travel policy encourages booking of lower carbon-intensive flights and restricts business class travel to flights longer than 4 hours. We communicate the importance of considering travel emissions to all staff.

We use a travel provider for centralised booking and reporting of business travel, who also make sure that duty of care requirements to travellers are met. Using a travel provider also ensures we don't use airlines not on the EU Air Safety list, or third party platforms that could compromise Brit travellers in any way. We regularly engage with our travel provider to track and calculate air-travel-based emissions.

Brit's travel policy encourages booking lower carbon intensive flights. We've heavily invested in transforming the way it works by

introducing flexible working and by upgrading its digital and video conferencing systems.

As part of our 2024 ESG roadmap, we plan to carry out an employee commuting survey to understand the scope 3 emissions attributable to commuting. This allows us to plan how we educate our teams to reduce employee commuting emissions.

In 2023 we saw an increase in travel-related emissions for 2023, reflecting a return to normal travel patterns following COVID-19 and a strong desire for employees to resume face-to-face interactions with key internal and external stakeholders.

Travel emissions amounted to the following tonnes of CO<sub>2</sub>:

	2021	2022	2023
<b>Business travel - air</b>	218	1,498	2,455
<b>Business travel - hotels</b>	10	39	45
<b>Business travel - other (note 2)</b>	-	2	17

As mentioned in section 4.2, we continue to offset our Scope 1 and 2 carbon emissions, and our scope 3 business travel emissions.

Brit will continue to focus on all these areas and constantly review employee-proposed opportunities such as the Cycle to Work Scheme. We have worked closely with building management to identify solutions to the loss of bicycle spaces in the space at ground level.

## 2.2

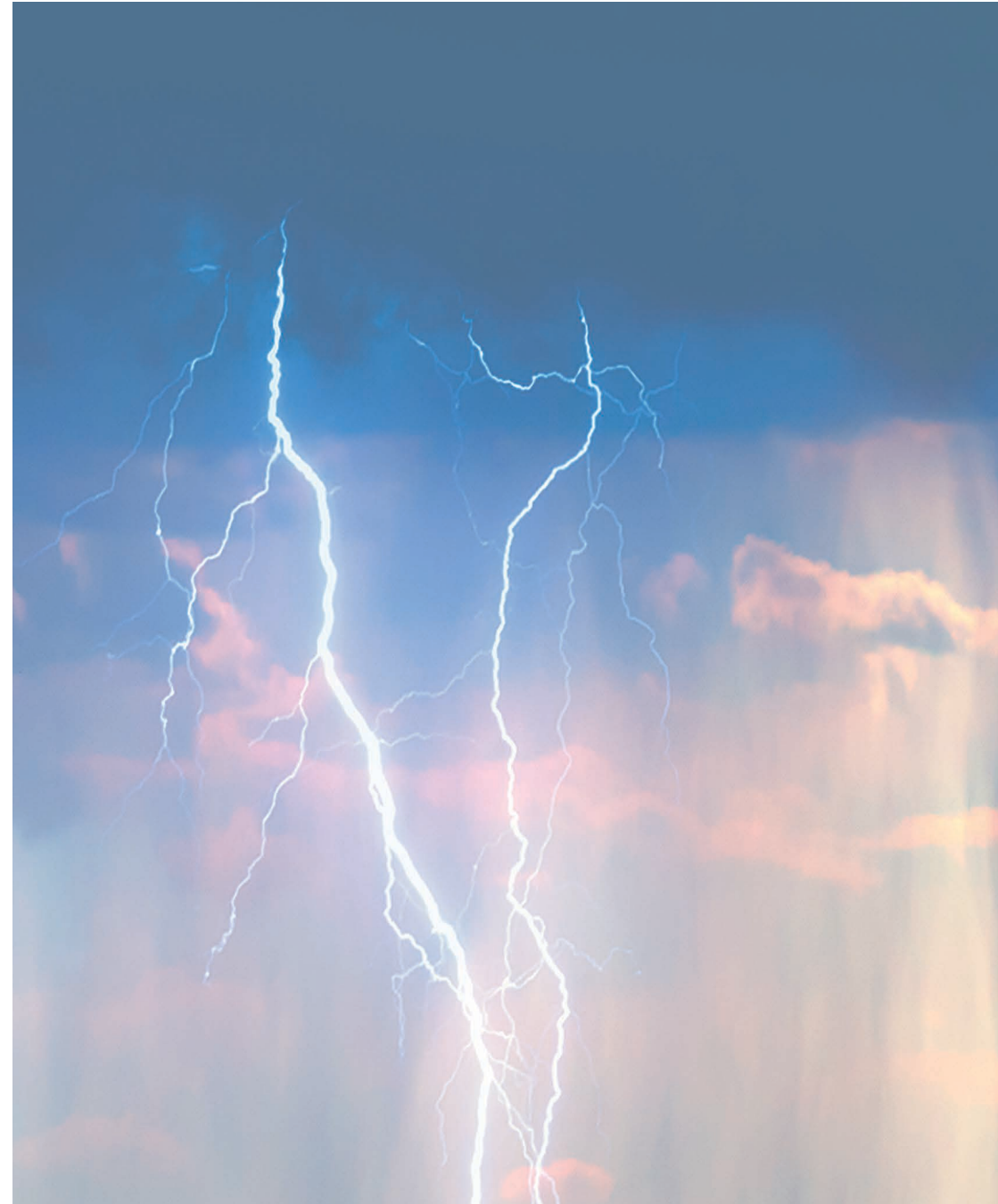


### **Engage our employees on our commitment to address climate change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate and nature-informed choices outside work.**

In March 2023 we conducted an all-employee questionnaire to determine our materiality position for our ESG strategy. We interviewed 14 individual stakeholders (including Board members, EC members and external brokers). We were delighted with 410 responses from our employee base (a 52% response rate). This was noted by our consultants, FTI, as one of the highest responses they had seen from a company, showing that our employees feel they have a voice in our company position.

The results of the Materiality survey formed the basis of our ESG strategy. After presenting the strategy at the EC and Board we were able to roll out bespoke training sessions (we held 14) which were attended by 87% of Brit and Ki employees.

We conducted an internal interview with our Energy Team and in March 2023 we published a "Spotlight" on our underwriting to support renewable energy projects, helping educate our internal teams.



### Volunteering days 2023

For over 15 years we have offered all employees two days of volunteering in addition to their annual leave. Some people do this individually and some do it as part of an organised team activity. In 2023 we logged 107.5 days of employee volunteering.

On 27th June 2023, 13 members of the ESG Committee took part in a volunteering day at Sweettree Farm. Sweettree Farm is a working farm in North London which provides a taste of the countryside for those with special educational and social needs. They use nature to help people with severe autism and other conditions find new ways to learn. The team of volunteers from Brit and Ki got involved in moving topsoil to create a new raised bed, clearing aggressive brambles and planting trees.



### Plans for 2024 volunteering

In 2024 we are hosting four nature-based volunteering days, all part of the Brighten Up London campaign coordinated by Handson London. These will take part in Gillwell Park, Wormwood Scrubs, Ravenscourt Park and Burgess Park. Each activity is close to public transport and should be commutable for most of our colleagues.

### Communications plan for 2024

After our all-company strategy training we were ready to launch our 2024 ESG comms plan. This focused on helping our employees make better climate and nature-related choices - we have comms planned on four areas:

- Improving our in-office recycling.
- National Bike week.
- National no disposable cup day.
- Forestry week.

We are also planning some talks and lunch-and-learns to show our teams our in-house climate research, as well as other activities we've planned towards our goal to insure the transition.

For over 15 years we have offered all employees two days of volunteering in addition to their annual leave



## 2.3



## Understand and disclose the sources of emissions and adverse climate and nature-related impacts on our value chain, that might in turn impact our business.

### Scope 3 emissions in our value chain

Whilst we were not able to calculate or disclose the totality of our Scope 3 emissions in 2023, we began to make steps towards this. As mentioned in section 2.1, we already disclose Scope 3 emissions from employee business travel.

In addition, in 2023 we were heavily involved in an emissions accounting trial with Lloyd's Lab and Moody's. As part of the trial, we provided data of our whole book of business, and received scope 3 emissions data for category 15 Insurance-Associated emissions for a large proportion of our insureds. While we don't yet have the confidence in the data to disclose it publicly, the activity has been useful to better understand our portfolio.

Our plan for 2024 is to further work with our external data provider, Dun and Bradstreet, to ingest scope 1 & 2 emissions and revenue data of our insureds, allowing us to calculate our Insurance-Associated emissions to the PCAF standard. These numbers will then be compared to those from the Lloyd's Lab/Moody's trial, to allow an element of assurance. We hope to be ready to disclose an insurance-associated emissions figure in 2025.

Our plan in 2024 is to carry out an employee commuting survey to allow us to generate a Scope 3 figure for commuting, and to work with our largest suppliers to generate their scope 3 figures. This will include working with our main outsource partner, and also compiling figures for CO2 responsibilities from our cloud data centres.

We also plan in 2024 to engage more closely with our investment managers to start to collect Scope 3 figures from the investment portfolios that are under their control.

As mentioned in section 1.7, as part of our materiality survey in 2023, we engaged with some of our key Brokers to understand their priorities and challenges. We plan to further engage with them in 2024 to ensure we are understanding climate and nature-related impacts to them, and the insureds they represent. We were also involved in a market-wide survey performed by one of our main brokers, Marsh. This provided useful context of where we sat against other insurance companies.

In terms of biodiversity and nature-related impacts, we work closely with our facilities management providers to make sure we maximise the potential for recycling, as well as reduce waste and water usage whenever possible. In 2024 we will continue to look for sustainable suppliers in our supply chain.

## 2.4



### **Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.**

Since 2021, Brit's Procurement team have worked to identify and reduce our environmental imprint by streamlining our supply chain and minimising our carbon footprint through analysis of business activities, occupation of global premises, waste management and energy consumption.

When engaging suppliers we abide by some practical principles:

- All material vendors supplying goods and services to Brit are asked to continuously improve the environmental and sustainability elements of their product. They should show a full understanding of the implications of these and the way they are provided to Brit.
- Brit values both the environmental and corporate responsibility impacts of a process. These are reflected throughout the best practices in our operations and will be considered during vendor selection, onboarding, and ongoing vendor management to ensure that these same practices are adhered to throughout Brit's supply chain.

- All material vendors are periodically asked to submit their ISO accreditations and environmental and corporate social responsibility policies along with evidence of these being promoted across their organisations.
- Each of these material vendors will also be issued Brit's ESG report annually and requested to submit the same. This will become a non-negotiable part of Brit's vendor assessment criteria if engagement is to continue.
- Building off the lessons learnt during home-working, paperless communication is now strongly encouraged throughout Brit and with all material vendors. This is being extended to travel booking and expense management.
- When outsourcing providers, an ESG questionnaire is part of the due diligence performed. Operational process failure relating to outsourcing providers is considered as part of the risk register review.

In addition, we actively engage with our supply chain participants on climate and nature-related issues, more of which can be seen in section 2.6.

## 2.5



**Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate and nature-related issues.**

### **Lloyd's Market activity participation**

As mentioned in section 2.3, during 2023, Brit were a critical participant in an 'Emissions Accounting' trial with the Lloyd's Lab and Moody's that was seeking to "understand how Lloyd's existing data can be used to inform emissions, how this can be aligned to existing reporting standards and ultimately meet expected future regulatory disclosure expectations".

The trail sought 'validator data participants' who provided whole book data sets to attempt to develop Insurance-associated emissions figures for Scope 3 category 15 reporting. In this role, Brit were involved in discussions, analysis and challenge of the data we provided.

In addition, Brit also participated in several interviews and roundtable discussions. These discussions involved other managing agents and explored a range of challenges, including the specifics of emissions accounting calculations, and assessments of insured's transition plans.





### External Research Activity

At Brit we are engaged with numerous external research initiatives, which help to both inform our internal view of risk, but also contribute to the progression of scientific understanding. In January 2024, Brit plans to collaborate with the Royal Meteorological Society (RMetS) to host and sponsor an event titled: "Navigating Climate Challenges in Insurance". We also have representation on RMetS's special interest group for insurance and collaborated on (currently unpublished) industry-facing whitepapers on future research collaboration between the insurance industry and academia.

Other external research collaborations include mentoring a Lloyd's lab artificial intelligence research company – Vayuh – on seasonal severe convective storm prediction. A solution is being evaluated to develop a short-term view of risk for the purpose of risk selection.

Brit have a commercial agreement with Lambda climate, who have worked with us to develop a climate-orientated adjustment for Japanese Typhoons, principally for the purpose of assessing capital adequacy.

Brit have a commercial agreement with Lighthill Risk Network for collaboration on the Imperial College Storm Model (IRIS). Engagement with IRIS has further informed Brit's view on North Atlantic hurricane risk.

In addition to the above, Brit also supports young scientists in engaging with MSc projects at Loughborough University and Edinburgh University, investigating US compound demand surge and US exposure trends respectively. The demand surge study has helped us in refining non-modelled adjustments for our internal capital model.

Our catastrophe research includes constant engagement with academics through conferences and networking events. At the European Geophysical Sciences Union conference, we presented a transparent view of the research underpinning Brit's North Atlantic hurricane view of risk. This led to more informed insight and an update to our 2025 View of Risk.

We are engaged with numerous external research initiatives, which help to both inform our internal view of risk, but also contribute to the progression of scientific understanding

## 2.6



### **Promote and actively engage in public debate on climate and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.**

In August 2022 we published this article on our website <https://www.britinsurance.com/news/writing-the-future-of-energy-wind>.

It was written to provide brokers with the right information to insure renewable wind projects – it had 390 page views including visits by brokers such as Lockton, Howdens, Amwins, Willis, Gallagher, other insurers and Lloyd's.



We published our new external-facing ESG strategy in 2023.

As we mention in section 4.4, since taking part in ClimateWise we have been publishing an externally facing summary of our submission on our website. We can track our page visits and file downloads during 2023 from July to the end of December. We had 437 Page views from 305 users and 87 downloads of our 2022 ClimateWise report. In addition, the ClimateWise 2023 report has been downloaded 120 times since publication.

Also, as mentioned at the start of section 2.5, Brit were also heavily involved in the Lloyd's Lab / Moody's emissions accounting trial in 2023.

#### **Supporting Customers, Clients and Suppliers**

We have clear guidance for employees when engaging in public speaking, social media or other debate.

Our key stakeholders, as identified by the Board, are set out below, together with why and how we engage with them and the outcomes of that engagement.

## Clients and Intermediaries

Why we engage	Form of engagement	Impact of engagement
<p>We work with brokers and partners to share expertise and deliver a seamless service for our clients. As a specialty insurer, almost 100% of Brit's business is distributed via intermediaries. Engagement and building strong relationships with them is crucial for us to source business and to deliver the best service and products for our insureds. Intermediaries also provide a range of services to Brit, for which we remunerate them via brokerage and commissions.</p>	<p>Any new intermediary is subject to a robust on-boarding process. Brit underwriters engage with intermediaries in a number of ways, including in person and by electronic means. To maximise our intermediary relationships, Brit has entered into Board-approved strategic partnership agreements with seven of our largest brokers, covering over 65% of our GWP. Under these agreements Brit pays an annual fee, which gives access to a range of services.</p>	<p>Broker surveys consistently highlight Brit's efficient client engagement, and proactive communications. By engaging with clients and intermediaries we provide a risk service that helps clients not only prepare for but manage and mitigate the risks they face. By building stronger and deeper relationships with our intermediaries, we believe we put ourselves in a stronger position to quickly take advantage of new opportunities and understand and satisfy changing customer needs.</p>
<p>When a client has a claim, their life or business has been disrupted, or even put in peril, they expect their insurance to deliver. It is our responsibility to fulfil that commitment. At Brit, we see every claim as an opportunity to help our clients move forward.</p>	<p>When a client has a claim we engage directly with them or their intermediary to ensure their needs are met. Following a major loss event, we instigate additional measures including 24/7 contact with claims administrators, and swiftly establishing dedicated loss funds.</p>	<p>Engagement with our clients, intermediaries and other service providers after an event reinforces our provision of a risk service that helps people not only move on from an event but helps them to move forward rapidly with confidence.</p>

## Reinsurers

Why we engage	Form of engagement	Impact of engagement
<p>Brit purchases reinsurance to help manage risk, reduce volatility, enhance earnings, control aggregations and create capital efficiency. We also engage when we make recoveries.</p>	<p>Brit uses its appointed brokers for the majority of reinsurer interactions, allowing us to benefit from their expertise. Brit also engages directly with reinsurers. These tend to be with our largest reinsurance counterparties.</p>	<p>This engagement allows Brit to access up to date market information and a broad range of reinsurance counterparties and products, thereby effectively managing its risk appetite. When we make recoveries, such engagement helps to expedite the process.</p>

table continued



## Investment managers (see section 3.2)

Capital providers		
Why we engage	Form of engagement	Impact of engagement
Working with third-party capital providers on Ki, Syndicate 2988 and Sussex creates the opportunity to increase Brit's footprint and proposition to clients. Engagement with third-party capital providers also supports our growth strategy for those vehicles.	Brit regularly engages with the third party capital providers on Ki. It also engages with current and prospective providers ahead of an underwriting year, to market Syndicate 2988 and Sussex, and to understand investor appetite. After an underwriting year incept, Brit formally meets each provider regularly to discuss performance, outlook and any other relevant matter.	The successful implementation of the Ki, Syndicate 2988 and Sussex strategies is dependent on developing strong relationships with third-party investors. Such engagement helps facilitate this. The insight we gain from interactions and feedback helps us ensure that our propositions can continuously evolve in line with investor appetite.

Members		
Why we engage	Form of engagement	Impact of engagement
Our aim is to provide long term sustainable value for our shareholders, Fairfax (86.2%) and OMERS (13.8%). Engagement ensures that our objectives are aligned and that our strategy, operating environment and performance are clearly understood.	Both of Brit's ultimate shareholders are represented on the Brit Limited Board and there is regular contact between Brit executives and senior management and those of our majority shareholder.	This engagement helps ensure that Brit's strategy is aligned to and supported by our shareholders. It also presents us with underwriting and investment opportunities, including collaboration with other members of the Fairfax group.

table continued

## Investment managers (see section 3.2) continued

Regulators		
Why we engage	Form of engagement	Impact of engagement
<p>Regulators are key stakeholders and Brit's Board is proactive in ensuring that Brit meets regulators' expectations around compliance, transparency and aligning the business with regulators' objectives. Brit engages with regulators to ensure that:</p> <ul style="list-style-type: none"> <li>• We understand their regulatory objectives and how they apply to Brit;</li> <li>• Regulators have a proper understanding of Brit's business model, strategy and risk appetite, and how they align to regulatory objectives.</li> </ul>	<p>Brit engages with its principal regulators through:</p> <ul style="list-style-type: none"> <li>• Regular meetings between supervisory teams, key decision-makers and authorised persons at Brit, including Directors.</li> <li>• Sharing of key business updates and internal documents to ensure regulators have a thorough understanding of Brit's business</li> <li>• Responding to thematic reviews and information requests.</li> <li>• Engaging with Lloyd's across the business including around business planning and compliance.</li> <li>• Ensuring the Board is kept up to date on regulatory matters as communicated by regulators.</li> </ul>	<p>Engagement with regulators impacts Brit through:</p> <ul style="list-style-type: none"> <li>• The Periodic Summary and Close and Continuous supervision approach by the PRA enables Brit to respond promptly on any concerns or focus areas.</li> <li>• Engagement on thematic reviews and information requests enables Brit to contribute to regulators' understanding of the market.</li> <li>• Brit's regular engagement enables it to proactively plan its response to areas of regulatory focus, e.g. operational resilience.</li> <li>• Engagement assists Brit to meet the prudential and conduct standards required by regulators. • Directors and employees understand their regulatory responsibilities.</li> </ul>
<p>Supply chain integrity is critical as we rely on a number of key suppliers of goods and services to help us meet the needs of our customers and other stakeholders. On-going engagement helps us ensure that those needs are met and ensures that the standards set by those suppliers meet Brit's criteria. Such suppliers include providers of IT systems, claims management, professional services, facilities and travel providers.</p>	<p>Brit determines the risk of the potential engagement by investigating the potential spend value and criticality of the services to be provided. Brit has a rigorous onboarding process for new suppliers. Brit has strong partnerships with a number of critical suppliers, fostered by a range of activities including ongoing dialogue and meetings. We also engage with key suppliers in areas such as technical and product roadmaps, integration planning and disaster recovery.</p>	<p>Such supplier engagement enables us to:</p> <ul style="list-style-type: none"> <li>• Provide a better service to, and satisfy the needs of, our stakeholders.</li> <li>• Enhance current operational processes, leading to better efficiencies and increased competitive advantage.</li> <li>• Comply with appropriate laws and regulations.</li> <li>• Improve the company's technological resilience.</li> <li>• Ensure the robustness and integrity of our suppliers, such as their compliance with the Modern Slavery Act 2015.</li> </ul>

In addition, rate discounts for strong responses in relation to managing climate-related risks may be provided to a client, although we are more likely to decline to offer certain coverage if answers are unsatisfactory.

## Risk Management Services

Brit offers a number of Risk Management Services to clients to reduce both the likelihood and severity of incidents.

- As an example, this includes the provision of ~2.5% of premium towards engineering survey fees in our Property D&F book. While there is no specific requirement for a climate-related angle on the surveys, this is both increasingly likely to come up in the surveyor's approach and may be a requirement to formally apply in the future.
- Similarly our Private Client product includes surveys and appraisals which, where appropriate, will talk about climate-related risk to their assets and steps that could be taken to reduce that risk.
- Camargue offers a big suite of RM services and education to brokers and stakeholders around the South African market. It is a big and unique part of their offering.







## Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.

Brit is dedicated to promoting and actively engaging in the public debate around climate action and sustainability amongst our market peers. Brit has representatives on the following:

- ClimateWise.
- Fairfax ESG community.
- Lloyd's Pilot for developing its NZUWTK (Net-zero Underwriting Toolkit).
- Lloyd's disaster risk facility.

### Fairfax ESG Community

Brit is a leading member of this community, created in 2021, working with our parent company Fairfax to collaborate and discuss ESG strategy across the Fairfax Group. As part of this, each Fairfax company, including Brit, completed a survey which will help form ESG direction across the group. The need for climate-related action was a catalyst for this collaboration and the basis of initial discussions. The Fairfax ESG Working Group was created with the aim to work with policy makers internationally to develop and maintain strategies that take climate risk into consideration.

In addition, Brit also contributed to Fairfax's second ESG report in 2023.

### Working with Regulators

- Brit participated in the PRA's CBES stress testing exercise in 2021. The results from this directly support the Financial Policy Committee (FPC) and Prudential Regulation Committee (PRC) in their statutory objectives as noted in the findings shared with the industry on 21.05.22.
- Brit also participated in an interview with the PRA's Insurance Climate Specialism in 2021 to articulate its strategy to meet the SS3/19 expectations.
- Brit regularly participates in Lloyd's thematic reviews on topical issues such as the impact of climate change. Responses help inform Lloyd's view on market best practice.
- In 2022, Brit contributed to the PRA's industry-wide General Insurance Stress Test which includes a focus on natural catastrophe risk, the most material risk impacted by climate change in this context.
- In H1 2023, Brit undertook a company-wide PRA questionnaire, the responses to which set out how the firm has embedded the management of climate-related financial risks into the business, with reference to governance, risk management, scenario analysis and disclosure.

### Roundtables and Conferences

Brit staff also stay up to date with the industry and ESG agenda by attending industry events and conferences throughout the year.

## Space Sustainability Principles

Brit also signed up to the development of Space Sustainability Principles by the Earth & Space Sustainability Initiative (ESSI), the principles of which will go on to form the UK government's Space Sustainability Standards. Minister George Freeman asked ESSI to produce a summary set of the Principles for signature and presentation at the Space Symposium on 28 June, which Brit signed and supported.



## Other thought leadership

### Black and Veatch Climate Case Study

In 2022, Brit also supported Black & Veatch alongside global broker Lockton, to shine a light on their present and future sustainability projects. Black and Veatch are an engineering and construction company building green energy solutions for industry through their large-scale renewable utility projects. In a published video case study, B&V's team, alongside their Brit and Lockton counterparts, discussed their present and future sustainability projects, including innovation across the transport sector, energy supply networks and developing alternative energies such as hydrogen, as well as how the insurance sector can play a role in supporting this innovation.

As well as clearly communicating our own ESG strategy with our stakeholders on the Brit website, there is also dedicated space for thought leadership around sustainability in the insurance sector. Through this thought leadership, Brit shares insights, learnings, and opportunities for the insurance industry in future energy, and energy transition, such as the opportunities presented by wind.

For more details on how our research team works with a range of stakeholders, please see section 2.5.

### 3 enabling transition



Understanding the impacts of climate and nature-related risks on investments is essential to enable organisations to take action





## Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision making.

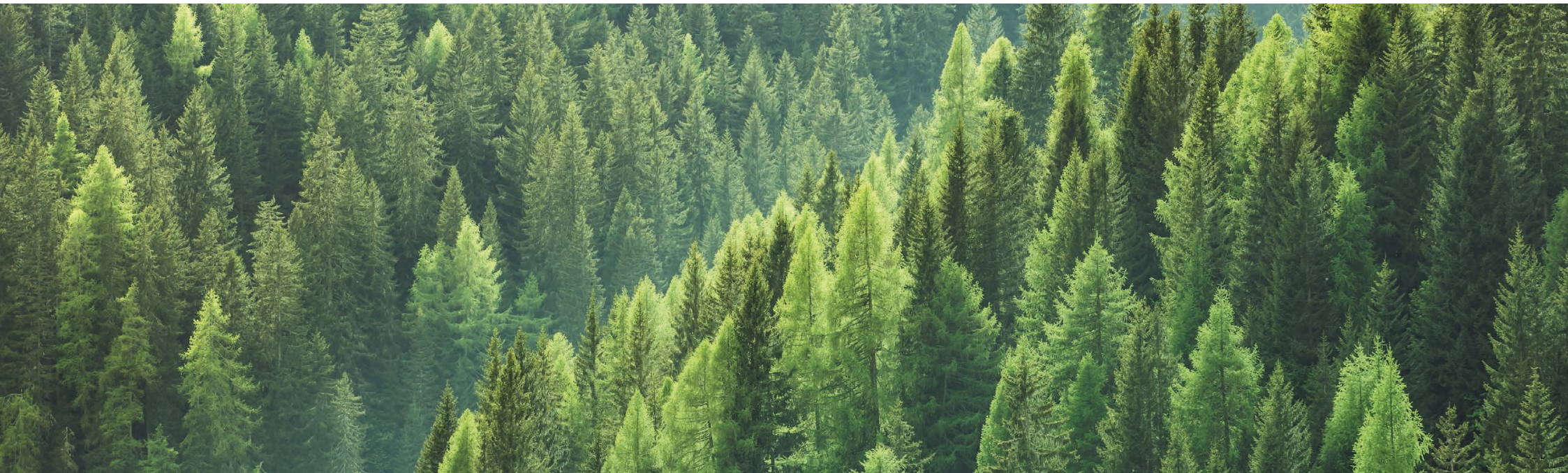
There is an expectation under SS3/19, IFRS S2 and TNFD that organisations should describe the implications of climate and nature-related risks on their investments, and the impact of their investment activity on the environment, nature, and ecosystems. Lloyd's has also published its roadmap for the transition, including expectations on the investment approach.

Brit has a diversified investment portfolio, with limits on exposure to individual issuers. Exposure to concentrated positions is monitored and reported quarterly to the Investment Committee and Board.

We expect our investments to be aligned with the four core pillars that guide our efforts to ensure the long-term sustainability of the business:

- Reducing our environmental footprint
- Enabling the transition.
- Responsible product deployment.
- Inclusive culture for our people.

Thus, the responsible investment approach is focused on reducing any adverse impact on the planet, while mitigating risks from unsustainable environmental, social and governance practices.



Responsible investment is integrated into the investment approach. As long-term investors the approach focuses on long-term cash flows of the underlying business/asset and sustainable business practices. A long-term investment approach is taken based on the belief that successful investing is dependent on a long-term view, as sustainable cash flow requires sustainable business practices that pave the way to success over the long run.

As well as looking to limit downside risk from the impact of climate change and broader ESG factors, the investment approach will also consider potential opportunities created by these changes.

While our investment approach is focused on integrating ESG into investment decision-making, we have some investment exclusions on specific ESG concerns such as oil sands, thermal coal and controversial weapons.

Understanding the impacts of climate and nature-related risks on investments is essential to enable organisations to take action.

The ESG approach is flexible and recognises that different factors have different levels of importance depending on the asset's class and industry, or the sector of the investment, although the process of integrating ESG factors into all investment decisions is common amongst them. Our level of market risk is modest and the investment portfolio is well diversified and liquid, which limits the potential implications of individual issuers on the portfolio. Our credit holdings tend to be shorter duration (aligned to our liability duration), limiting the longer-term sustainability risks on the credit portfolio, although we still integrate ESG into investment decision-making. As noted, the

longer-term approach and integration of ESG also helps mitigate risks within our equity portfolio,

We regularly review the sector exposure of our portfolios to ensure we monitor and fully understand the portfolio exposures to climate-exposed sectors. Specifically, holdings of industries such as oil and gas, transport and utilities, are monitored and reported as follows:

- Climate-sensitive sectors are reported in the monthly investments and treasury reporting. This is shared with the Climate Change Risk Working Party (CCRWP).
- Monthly updates are provided to the ESG committee.
- Quarterly ESG updates are provided to the Investment Committee.

We supplement this with detailed reports from external managers on the ESG positioning of the portfolios managed on our behalf. They detail the portfolio exposure to carbon-sensitive sectors, fossil fuels, reserves intensity and unconventional fossil fuels relative to the benchmark, as well as the top three contributors to emissions and the top and bottom issuers from an ESG perspective. Where available from our investment managers, we have also received Paris-aligned reports for portfolios managed on our behalf. We continue to discuss the reporting available with our investment managers as they enhance their suite of ESG, climate risk and nature reports and any enhancements we can access for our reporting suite.



We aim to improve the reporting and data available on the investment portfolio, as well as integrate ESG scores and validated third party climate data into investment data. As the portfolio is predominantly mid-cap US corporates, climate data availability and integrity is still a challenge, but is becoming more achievable. Nature data is an evolving area and will be more difficult to integrate in the near term. We will aim to understand the availability of nature data for our investments in 2025 and integrate as soon as reasonable.



In addition to the regular reporting noted above, Brit conducts a detailed analysis of the investment portfolio's equity and fund holdings, concentrating on the business and ESG risks of each holding, on an annual basis. The genesis of these reviews came from the lack of coverage by the ESG rating agencies for many of the underlying holdings given their generally mid-cap and US bias as well as the dispersion of ESG views between ratings agencies. It also helps inform our discussions on ESG with the investment manager and illustrates our adherence to the Prudent Person Principle.

The ESG review includes a review of the ESG strategy of the underlying companies, using publicly available information such as the companies' ESG reports, annual reports and any emissions reports, supplementing the data available on Bloomberg. It also reviews their nature (including water / biodiversity) policies if applicable. The process results in an ESG risk rating for each holding. These ratings are then aggregated to create a total ESG risk rating for the overall portfolio. As well as this, we also track the proportion of the portfolio with carbon commitments and the robustness of those commitments. Our 2023 review found that the BSL Investment portfolio has an average low-medium ESG risk profile. It also found that 35.9% of companies in the portfolio had carbon commitments, down from 2022, mainly because we were more stringent in our view of what constitutes an ESG commitment. Also, some companies had gone private, reducing visibility of their commitments. 7.7% of companies had made progress towards previously set targets and 12.8% had improved their carbon commitments. Our 2024 review is ongoing.



This demonstrates our understanding of the portfolio's Environmental, Social and Governance risk profile and the actions being taken by underlying companies. The ESG reviews are used to help inform our discussions on ESG with our investment manager, as the more informed we are on the underlying company, the better we can understand the manager's approach and viewpoint. We also review the ESG status of any new equity investment proposed by the investment manager to ensure the investments align with our responsible investment policy.

The responsible investment approach is also integrated into investment manager selection. The aim is to partner with investment managers who not only have strong investment capabilities but also have integrated strong ESG capabilities within their processes.

As well as evaluating investment managers' ESG capabilities in the initial manager selection process, their ESG capabilities are assessed at least annually in the annual due diligence meetings. We also hold regular discussions on the managers' ESG capabilities, and their engagement with companies.

We include ESG guidelines in our external manager mandates, including having an average minimum BBB MSCI ESG rating restriction, revenue screens on specific ESG concerns such as oil sands, thermal coal and controversial weapons as well as the aim of having a lower carbon intensity index and to reduce carbon intensity through time.

The speed at which different managers are engaging on this topic varies, but overall it is clear that they understand the requirements of their clients so we are confident the available data will improve over time.

With regards to asset classes, we focus on them where ESG considerations can be most impactful, such as equity and corporate bonds, although we recognise the vital role governments have in implementing policy in this area. Our corporate bonds tend to be short duration, and we recognise that engagement can have a direct impact as corporates need to access the investment markets regularly to raise debt.

Where we select comingled funds or exchange traded funds, we assess the ESG restrictions in the funds, and invest in funds with specific ESG criteria meeting our ESG approach.

ESG reviews include a review of the ESG strategy of underlying companies, using publicly available information such as the companies' ESG reports, annual reports and any emissions reports

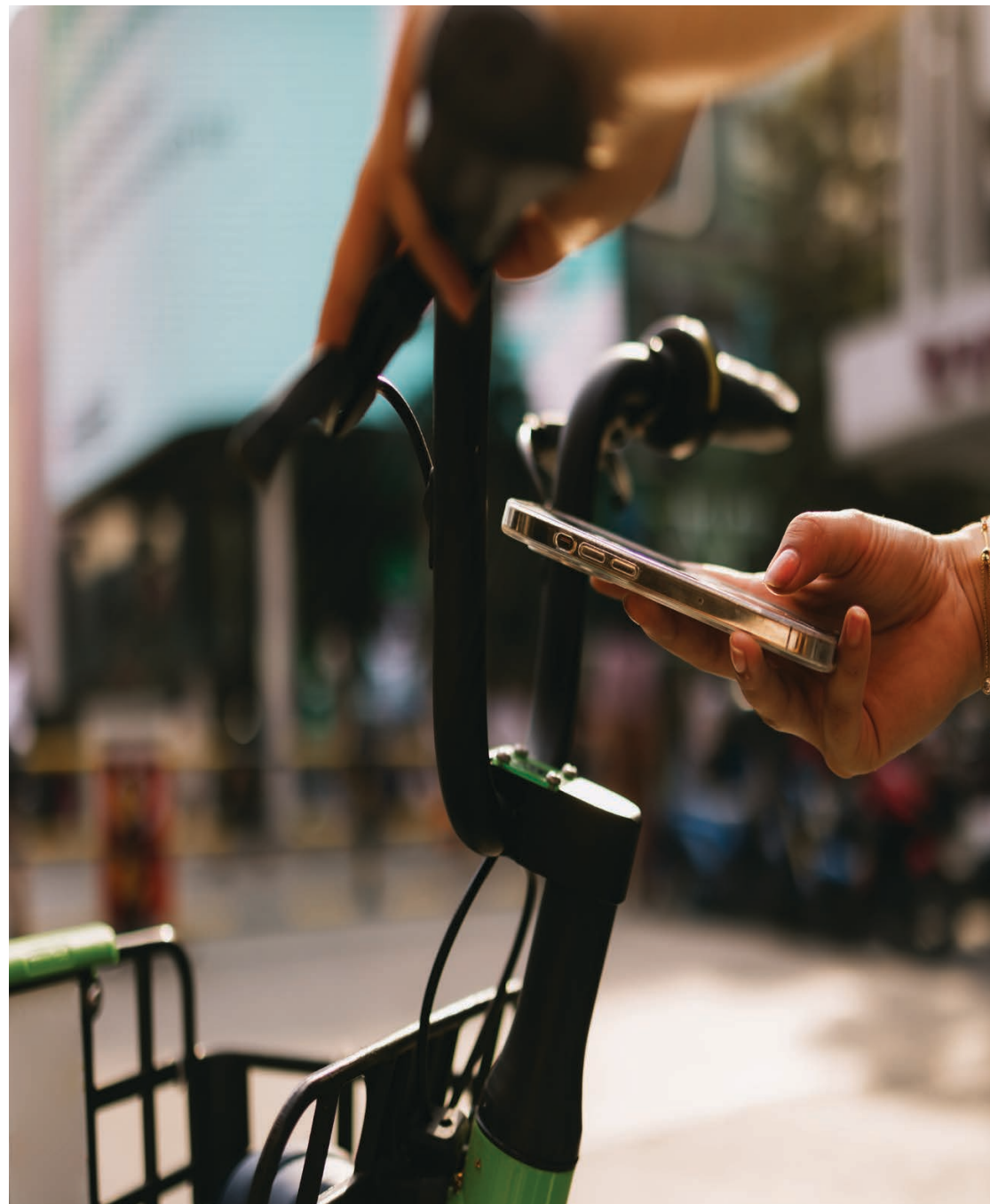


## Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.

Some of the different types of actions available to manage the implications of climate and nature related risks include:

- 1 Exclusions.
- 2 Integration into investment decision making.
- 3 Engagement.
  - all backed up by verified data and a sound approach.

Exclusions have the benefit of explicitly reducing investments in climate and nature-exposed sectors, although they have the drawback of reducing the ability to influence companies to improve their credentials and of constraining the investment universe – often leading to unintended consequences. Integrating ESG into investment decisions allows investors to benefit from the opportunities created by the transition and to reduce risks related to climate and nature by a strong understanding of the underlying investments. It also allows a more thoughtful approach but is more intensive and subjective. Engagement can go hand in hand with integration and involves encouraging underlying investments to improve their credentials. Engagement can take place directly, through industry organisations or through the investment managers for the portfolio.



We stay up-to-date with thought leadership from the investment community on the implication of climate and nature-related risks and opportunities on investments. We also attend conferences and investment manager events. We found in 2023 that many investment climate transition events began to explore nature at the event and considered nature with more traditional alternatives.

Our approach to managing the implications of climate and nature-related risks and opportunities is set out in the Responsible Investment section of our Investment Policy. This was to illustrate the integration of responsible investment within our investment approach. As part of our ESG strategy review in 2023, it was agreed to enhance the responsible investment approach within the investment guidelines and to include it as a separate appendix, to increase the focus but maintain the integration approach.

An ESG update is a standing item on the Investment Committee agendas, including specific deep-dives where required. This fits with the increasing importance of responsible investing. As outlined in our previous report, Brit built on its 2020 BSL Board training, extending responsible investment training on capital and investments in 2022 to non-executive directors.

We include ESG guidelines in our external manager mandates, including having an average minimum BBB MSCI ESG rating restriction. We also have revenue screens on specific ESG concerns such as oil sands, thermal coal and controversial weapons. Lastly, we aim to have a lower carbon intensity index and to reduce carbon intensity.

Sustainability is key to our long-term investment approach which recognises wider ESG risks within the investment process, and considers the potential for economic loss arising from these factors, including the impact of climate change. Our investment approach also considers potential opportunities created by these factors. This approach allows investments in companies that may currently be lagging from an ESG perspective, but only if they are deemed to be improving, as such companies may ultimately be the best stewards of assets from this perspective. Thus, one way our portfolios' ESG position should be enhanced is through improvements at investee companies and investment manager engagement with investee companies.

Within our approach, investments in carbon intensive industries should have clear and measurable transition plans, and the investment managers' ESG integration should include the aim of encouraging investee companies to strengthen their transition plans and decarbonisation objectives. Active protection of biodiversity and other ESG factors such as waste and water should also be encouraged along with sound social and governance practices.

Therefore, our approach also recognises the importance of engagement on ESG issues with our investment managers and their engagement with underlying companies. Stewardship, and being an engaged investor are recognised as an important component of responsible investing; engaging with companies can improve their performance.



## Investment managers

Why we engage	Form of engagement	Impact of engagement
<p>We manage the assets which support our underwriting and ensure that clients' claims can be paid. We manage those assets with a long-term view and aim to maximise return while controlling the level of market risk. We implement our investment strategy using the expertise of investment managers and we engage with them to monitor their performance, to ensure terms of the investment management agreements are met and to gain additional insights.</p>	<p>We have regular discussions with our managers to monitor performance and assess the outlook for investment markets. We also receive regular written investment reports on both investment performance and the ESG position of the portfolio from external managers and their engagement activities with companies within our portfolio.</p> <p>We have regular and ad-hoc discussions to review new investment opportunities. We also perform annual due diligence on their operational processes.</p> <p>Investment managers regularly present to the Board and Investment Committee Board.</p>	<p>Engaging with our investment managers allows us to ensure that assets are managed within our risk tolerances and guidelines and that any changes are implemented in a timely fashion. Insights from our investment managers enhance our strategy and performance. Engagement allows us to discuss new opportunities, helps us understand their approach to ESG issues, validates the sustainability of our portfolio and helps us confirm assets are managed robustly and with effective controls in place.</p>

We stay up-to-date with thought leadership from the investment community on the implication of climate and nature-related risks and opportunities on investments



Engagement with investee companies is performed by Hamblin Watsa Investment Counsel ('HWIC'), which tends to have a close relationship with investee companies, and other third-party managers. HWIC has a proxy voting policy which establishes guidelines and requirements to ensure that HWIC meets its fiduciary obligations by voting delegated proxies in a manner that is in the best interests of its clients. In addition, our external investment managers regularly report on their engagement with investee companies within our portfolios and the topics of this engagement and we regularly discuss the ESG positioning within the portfolios, especially noting their ESG views on any companies of concern.

As discussed in 3.1, we have incorporated ESG into our annual due diligence reviews of the investment managers since 2019 and hold regular discussions on the managers' ESG capabilities, and their engagement with companies. Regular engagement with our investment managers helps us to understand their stewardship activities performed on our behalf. Engagement with investment managers is enhanced by strong knowledge of the investments, including via the annual equity reviews which incorporate ESG. This aids insightful discussion on investment managers' view on investee companies and the active engagement performed.

The integration of ESG within our investment portfolios for the assets within Ki impacts on the funding for the business, as the interest rate paid on funding for the Ki Letter of Credit is linked to meeting certain ESG metrics on our investment portfolio, including maintaining a MSCI ESG rating of BBB or better at the credit portfolio level. We anticipate that this requirement will become more stringent in future.



### 3.3

## Develop and use models to incorporate climate and nature-related issues and describe how the outputs of the models inform our underwriting decisions.

At Brit we evaluate third party catastrophe vendor models, as well as building our own solutions – this is to manage tail risk, pricing risk, risk selection and emerging risk. Our hazard adjustments are motivated by academic literature on how sensitive each peril is to a varying climate. Where we see potential for a large magnitude hazard that will materially impact Brit’s portfolio (e.g. hurricane intensity trends, tornado regionality, or the regionality of hurricane activity), we reflect this through frequency changes in the pre-existing vendor model. In cases of large uncertainty in a particular peril region (Northwest Pacific typhoon frequency), we look to take a conservative approach for our frequency adjustments.







## 3.4

### **Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate and nature-related issues of the insured structures through pricing of policies.**

At present, clauses and conditions relating to reductions of exposure to climate- and nature-related issues are not incorporated in our policy wording.

However, we have plans in 2024 to review a range of ESG-sensitive industry areas and to develop guidance and positions relating to these areas. As part of this work, we will be looking into the potential efficacy of incorporating aspects of incentivisation into policy wordings, subject to established and applicable regulatory requirements.

As mentioned in section 1.5, climate change exclusions have been introduced within most of the Specialty book to clarify Brit's stance.



## 3.5

### **Disclose our climate and nature-related transition plans and the objectives, priorities and commitments we are looking to address.**

Brit does not yet have a formal transition plan in place. Work planned for 2024 will allow us to baseline our position, which will in turn allow us to develop targets that can then be incorporated into business planning. From this, we expect to develop and publish a transition plan in 2025.



## 3.6

### **Describe how the transition plan is overseen, resourced and implemented.**

n/a – see section 3.5.

## 4 disclosing effectively



Brit discloses scope 1 and 2 emissions, and partial scope 3 emissions in both our annual report as part of our environmental data, and within our publicly available ClimateWise report





## Measure and disclose the impacts and potential impacts on our business of material climate and nature-related risks and opportunities, including the results of the resilience analysis.

As mentioned in sections 2.5 and 2.7, our dedicated natural catastrophe research sub-team actively monitor developments in climate science and incorporate these findings within Brit's analysis as appropriate. This, along with other scenario analysis and risk activity (please see sections 1.5, 1.6, 1.8, 1.9 and 1.10) allows us to understand the potential impact on our business.

Whilst some of this work is discussed within industry presentations and discussion, it is not publicly disclosed any further. We have



plans in 2024 to further integrate the conclusions of the natural catastrophe research sub-team into our underwriting planning and decision-making processes.

In addition, during 2023 we developed an ESG dashboard, which uses the D&B data mentioned elsewhere in this report. The dashboard, which was still being refined at the end of 2023, is expected to allow us to measure and target the insureds that are contributing most significantly to our climate and nature-related risks. More can be seen in section 4.3.

As mentioned in sections 3.1 and 3.2, we regularly review the sector exposure of our investment portfolios to ensure we monitor and fully understand the portfolio exposures to climate-exposed sectors. We plan to develop metrics around these soon.

In terms of direct Operational Resilience, we recognise that the main impacts from climate change on our City of London headquarters and staff come from rising sea levels, surface flooding, heat, drought and wildfires. Brit considers these impacts alongside other threat vectors and aligns them to the resources which support each important business service. The resources are people, location, applications, data and suppliers. Brit runs scenarios which are focused on the denial of the resources and as a result rehearses the firm's capability to respond. We factor in these denials to our response plans.

During 2023 we have also collated the locations of our IBS supplier operations, to better respond to impacts which include climate change, for instance a change in the monsoon in India.





## Disclose the metrics used to measure and manage our contribution to climate and nature-related risks, and targets used for monitoring progress.

Brit discloses scope 1 and 2 emissions, and partial scope 3 emissions in both our annual report as part of our environmental data, and within our publicly available ClimateWise report.

In our 2023 annual report we disclosed emissions for the year, alongside business travel emissions data. This is reported in tonnes of CO<sub>2</sub>, and split between sources: gas, electricity, business travel (air), business travel (hotels), and business travel (other). We also report emissions per employee. We then disclose our scope 1 and 2 figures in kWh and tonnes of CO<sub>2</sub>.

All of the above 2023 figures were disclosed alongside our 2022 figures, to allow a comparison.

We also disclose waste management metrics relating to recycling. These figures are reported in terms of tonnes recycled.

Our annual report also explains that, for the emissions figures above, we offset our carbon emissions through ClimateCare ([www.climatecare.org](http://www.climatecare.org)). For every tonne of carbon generated we fund the equivalent reduction through ClimateCare's carbon reduction projects. As of 31 December 2023 we remained fully Energy Saving Opportunities Scheme (ESOS) compliant.

Brit has a firm plan to develop targets for scope 1, 2 and 3 emissions once robust baselines have been established. We already have scope 1 and 2 baselines, and we plan to establish baselines for scope 3 as part of our data workstream in 2024. It is likely we will set internal targets in 2025, and may investigate science based targets (SBTs) once internal targets have been set and agreed.

The disclosed figures are replicated on the following page:

For every tonne of carbon generated we fund the equivalent reduction through ClimateCare's carbon reduction projects

Environmental disclosures in Annual report:

### The sources of our emissions were as follows:

Emission source	2023	2022
	CO2 (tonnes)	CO2 (tonnes)
Gas (Note 1)	196	203
Electricity (Note 1)	222	254
Business travel – air (Note 2)	2,455	1,498
Business travel – hotels (Note 2)	45	39
Business travel – other (Note 2)	17	2
Total carbon footprint before offset	2,935	1,996
Offset	(2,935)	(1,996)
Total carbon footprint after offset	–	–

### Emissions per employee were as follows:

	2023	2022
	CO2 (tonnes)	CO2 (tonnes)
Number of employees at 31 December, excluding NEDs	911	947
Carbon footprint per employee before offset	3.2	2.1
Carbon footprint per employee after offset	–	–

**Note 1:** Where Brit operates from offices which form part of a larger commercial development, usage and emission data has been supplied by the building manager. Where data was unavailable, estimates have been used. Where Brit operates out of serviced office suites, it has no control over the management of utilities, with that responsibility falling to the landlord. Such serviced accommodation is considered out of scope for this purpose.

**Note 2:** For all travel including air, hotels and rail, data has been provided from our travel agent partner, through whom travel is arranged.

### Brit's Streamlined Energy and Carbon Reporting (SECR) as follows:

	2023		2022	
	kwh	GHG	kwh	GHG
		CO2 (tonnes)		CO2 (tonnes)
Scope 1	1,072,927	196	1,113,902	203
Scope 2	1,106,717	222	965,285	197

**Note 1:** The scope of table differs from the carbon emissions reported above, in that it only covers UK based operations, in accordance with SECR requirements for unlisted companies.

**Note 2:** Gas and Electricity values for the fourth quarter were estimated by using the values from the first quarter as the seasonality of the data for those quarters are closely aligned.

**Note 3:** Brit utilised the GHG conversion factors published by the new UK Government on 10 June 2023 for these calculations.

**Note 4:** For all travel including air, hotels and rail, data has been provided from our travel agent partner, through whom travel is arranged.

**Note 5:** In the UK, Brit operates out of an office which forms part of a larger commercial development. Usage and emission data has been supplied by the building manager.

**Note 6:** Includes gas purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

**Note 7:** Includes electricity purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

**Waste management:** During 2023, we recycled 12.1 tonnes of paper waste (2022: 0.0 tonnes) and we sent 19.0 tonnes of general waste to energy recycling (2022: 7.1 tonnes). In 2023, we also recycled 3.2 tonnes of glass (2022: 1.3 tonnes), 3.1 tonnes of cardboard (2022: 2.0 tonnes) and 10.2 tonnes of food waste (2022: 4.0 tonnes).

Brit recognises that currently we are not disclosing the full scope of our Scope 3 emissions, in particular category 15 financed emissions are not yet disclosed. Brit has plans to advance this in 2024, and hope to be able to report further details in 2024, including: insurance associated emissions using the PCAF methodology and data from our external data provider, investment emissions, employee commuting emissions, and emissions from our major suppliers, including outsourcing suppliers and technology and data emissions.







## 4.3

### **Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.**

We follow a collaborative approach towards the development of both the ClimateWise report and the ESG/sustainability aspects of annual reporting. To do this we form a cross-functional team made up of members of the ESG steering committee who act as a point of contact for their area. We then divide the sections of the disclosure and assign them to individuals using a RACI methodology. This process is supported by weekly progress calls to track completion and discuss any issues or blockers.

Once a first draft is developed, the report is then verified by internal and external SMEs, before being signed off by either the Head of ESG (for ClimateWise) or the Group reporting Snr Manager (Annual Report), before final sign-off by EC members and auditors (annual report only) as appropriate.

In terms of scenario analysis outputs and BVoR related to climate, these are overseen by the CCRWP and Risk committee. In addition, we receive feedback from the PRA on CBES which helps to validate our approach.

When we begin measuring and disclosing scope 3 category 15 emissions, we plan to instigate controls and checks of both the data inputs, and the reported outputs.





## Annual submission against the ClimateWise Principles.

Brit submitted on time and in full for the 2023 submission of the 2022 year of account. The report was submitted following the agreed methodology in Word format, along with a zip file containing the required evidence, which was referenced in the report and followed a standardised file naming convention.



## Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.

Key elements of Brit's progress against the ClimateWise Principles are included in our Annual Report on an ongoing basis, in addition to reference of other ESG matters, including charitable giving, volunteering, and our Diversity and Inclusion activity. Starting in 2020, our climate-related financial disclosures have been aligned to those recommended by the TCFD and our aspiration is to be

transparent on ESG-related topics. Our commitment to aligning with the new IFRS Sustainability Disclosure Standards (IFRS SDS), specifically S1 and S2, will continue once they receive approval from the International Sustainability Standards Board (ISSB). By 2024, as the ISSB mandates their adoption, we'll incorporate these standards into our reporting practices. Within our ESG roadmap we have an aspiration to perform baseline emissions accounting across scope 1, 2 and 3 in 2024. Following on from this we will set targets in all these areas and continue to monitor and report progress of these targets on a periodic basis. This will include Scope 3 Category 15 insurance associated emissions and Investment emissions.

In addition, we publish a sanitised version of all our previous ClimateWise reports (2021, 2022 and 2023). Our climate risk and nature disclosures – including the scenarios considered and underlying assumptions – are aligned with the reporting period of the financial statements. These cover all the principles but exclude commercial confidential elements. All reports are actively referenced on our website, alongside our published ESG statement (<https://www.britinsurance.com/culture/esg>) and are available for download. Each report is professionally copywritten before publication to ensure it is readable by a wide audience, and reports are enhanced with appropriate visuals, as mentioned in principle 4.6 below.



**Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.**

When we create documents for public consumption, we employ the services of a copywriter and designer to make these documents easy to digest and read. We are actively working on enhancing data disclosure to enable greater disclosure in our reports.

Where possible, we publish previous year's figures to allow year-on-year comparisons to be easily made. We emphasise that all facts and figures provided are as of the reporting date, and any subsequent events occurring between reporting and publication will be treated consistently.

In 2024 we will undertake an accessibility assessment of our website make changes in line with the findings.





# BRIT

writing the future

The Leadenhall Building  
122 Leadenhall Street  
London EC3V 4AB  
UK

t +44 (0)20 3857 0000

[britinsurance.com](https://www.britinsurance.com)